

TELEPRINTER DISCOUNT STUDY

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Planning Services for Management

TELEPRINTER DISCOUNT STUDY

Prepared For:
INTERNATIONAL BUSINESS MACHINES CORPORATION

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FEBRUARY 1981

TELEPRINTER DISCOUNT STUDY

ABSTRACT

INPUT conducted a survey of teleprinter manufacturers to determine their volume discount policies and practices when selling to distributors, OEM system houses and end users.

A corollary set of interviews was conducted with teleprinter distributors and OEM system houses to determine their discount policies and confirm INPUT's survey findings with manufacturers.

The survey also probed into any possible differences which may exist between industry discount policies and practices.

Parameters surveyed include type of teleprinter sold and distribution of sales, discount levels and volume breakpoints by market. The study analyzes criteria for receiving discounts, functional and special discounts, value added components, percentage of customers receiving discounts and future company and industry discounting trends.

TELEPRINTER DISCOUNT STUDY

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I INTRODUCTION

I INTRODUCTION

A. PURPOSE AND SCOPE

- This report was prepared by INPUT as a custom study for the IBM System Products Division located in Endicott, New York.
- The purpose of the study is to determine the discounting policies and practices of teleprinter manufacturers in the sale of this equipment to distributors, OEM system houses and end users.
- During the interviews, IBM was never identified as the program sponsor.
- Respondents were told that their identity and the identity of their company would remain anonymous, with respect to individual research results.
- Most of the interviews were conducted with presidents and vice presidents of marketing at the distributor and OEM system houses surveyed. Manufacturer interviews were with managers of sales distribution, product managers and vice presidents of sales and marketing.
- Topics surveyed included:
 - Type of teleprinters sold.

- . Impact versus non-impact.
- . KSR versus R.O.
- . Subassemblies versus complete units.
- Distribution of teleprinter sales by market.
- Published and non-published volume discount schedules.
- Discounts given by manufacturers to OEMs, distributors and end users.
- Discounts received by OEMs and distributors from teleprinter manufacturers.
- Reasons for discounts.
- "Value added" components.
- Terms and conditions that operate to increase or decrease the effective discount rate.
- Percentage of customers receiving discounts.
- Functional discounts.
- Specially negotiated discounts.
- Qualifications by OEMs, distributors and end users to receive discounts.
- Differences between policies and practices of discounting.
- Future industry and company trends in discounting.

B. RESEARCH METHODOLOGY

- INPUT designed a separate questionnaire for manufacturers, distributors and OEM system houses based upon a specification prepared by IBM's legal, market research and product planning departments in White Plains and Endicott, N.Y.
- Separate questionnaires were used in manufacturer, OEM and distributor interviews in an attempt to obtain different viewpoints on volume and other discounting policies and practices by manufacturers. Overall, this technique helped to provide a check on research results and provide some correlation between subject areas, and market sectors.
- The final version of each questionnaire was reviewed and approved by IBM before interviews proceeded in earnest.
- A random sample of large- and intermediate-sized manufacturers was chosen for interview from a list provided by IBM. Likewise a random sample of distributors and OEM system houses was chosen from a list composed by INPUT.
- A total of 20 interviews were conducted, distributed as follows:
 - Eight interviews with manufacturers.
 - Eight interviews with distributors.
 - Four interviews with OEM system houses.
- Twenty-five percent (25%) of the interviews were done on-site, with the balance conducted by telephone.
- Approximately one-third of the way through the interview process, INPUT informed IBM about the progress of the interviews to date.

- As expected, large teleprinter manufacturers were highly reticent to provide the details of their volume discount policies, and therefore, INPUT sought to obtain this type of information as much as possible from distributors of their products.
- Even though the interview questionnaires (see Appendix A through C) were designed to be relatively short and to the point, many respondents had to be contacted more than once in order to obtain more complete data. All respondents were highly sensitive to the nature of the information which was being asked for and some had to check on company policy in making this information public.
- A number of companies contacted declined to participate in the interviews. A documentation of the sample size and general respondent profile can be seen in Appendix D.
- The average telephone interview lasted 20 minutes to one-half hour; the range of on-site interviews took from one to four and one-half hours.
- The numbers assigned to each respondent in the report are purely arbitrary and random and cannot be related to the same respondent numbers in any other sections of the report.
- In about 25% of the cases, respondents provided teleprinter list price information in combination with, or in lieu of, actual discounts, which INPUT used to calculate some respondents' volume discounts. No pricing data were conveyed to IBM at any time during this study.
- Because companies would be identified by the brand name and model of teleprinters manufactured or distributed by them, a separate table was constructed (Exhibit D-3) which randomly profiles the teleprinters sold by each respondent in the study.

- On December 1, INPUT provided the highlights of the research results obtained to date to IBM's legal and market planning departments.
- A final oral presentation of total the findings was made during the week of January 19 at IBM's facilities in White Plains, N.Y.

II EXECUTIVE SUMMARY

II EXECUTIVE SUMMARY

A. MAJOR FINDINGS AND CONCLUSIONS

- Manufacturers and distributors have become much more cautious with their policies and practices of volume discounts.
- Discounting is a "way of life" in the teleprinter industry. Everyone does it because it is expected by all buyers, whether they be distributors, OEM system houses or end users.
- The larger manufacturers of teleprinter terminals interviewed are trending toward a monolithic discount pricing structure in the sale of their teleprinter terminals to distributors, OEMs and end users. This means that the same discount rate applies regardless of the number of teleprinters purchased.
- The primary reason for volume discounts stated by respondents is competition. If a vendor does not provide a volume discount, then purchasers will usually seek a vendor who does.
- Other than having teleprinters ready for immediate delivery (warehousing and inventory stock) and rapid maintenance and repair service, distributors do not usually provide any other "value added" services to qualify for the discounts they receive from manufacturers.

- Most distributors interviewed did not consider warehousing and rapid repair service per se a "value added" service.
- Differences between policies and practices of discounting were noted with at least one manufacturer, and at least two distributors, of teleprinter products.
- Intermediate- and smaller-sized manufacturers tend to be more aggressive in their volume and other discount policies and practices.
- Texas Instruments and Digital Equipment Corporation appear to be the industry leaders, according to respondents, in both pricing and discount policies in the sale of teleprinter terminals.
- Digital Equipment Corporation appeared to be the most erratic and inconsistent with regard to its pricing and discount policies, according to all respondents interviewed.
- Almost all OEM system houses and distributors interviewed purchased complete teleprinter units as opposed to subassemblies from teleprinter manufacturers.
- Fewer manufacturers are interested in manufacturing custom-designed teleprinters for their customers.
- Differences in volume discounts were noted by type of teleprinter sold. In general, higher-priced teleprinters that include some form of graphics and/or disk storage capability were discounted more heavily than the manufacturers' standard type teleprinter.
- There did not appear to be any relationship in volume discounts between impact versus non-impact and KSR versus RO teleprinters.
- No manufacturer or distributor interviewed published its volume discount schedules for anyone except internals. These same companies provided verbal

or formal written quotations and discount terms to qualified prospects and bona fide buyers.

- Manufacturers had a "published" volume discount schedule for qualified OEMs and distributors.
- A few manufacturers interviewed said that they really didn't provide discounts on sales of their teleprinters, but just made their normal list prices "look" like discounts, since that is the only way the market would buy them.
- Likewise, a few distributors interviewed said that they normally marked up their teleprinter products by about 40% and discounted from 5% to 15% when pressured to close a sale with OEMs and end users.
- Respondent manufacturers and distributors said that they did not discriminate in their discount policies between Fortune 1000 and non-Fortune companies.
- Prompt payment (payment within 30 days of invoice) and cash payment were the most popular terms and conditions mentioned by both manufacturers and distributors to increase the discount rate. Providing any form of additional service would generally serve to decrease the discount rate.
- In general, other forms of functional discounts either did not exist or were not important enough in the minds of respondents to warrant additional discounts.
- Manufacturers and distributors usually negotiated special discounts only on very large orders.
- No distributors saw any change in their discount policies within the next six to 12 months, unless the economy worsened (prime rate increases) or unless they were forced to do so by price squeezes on manufacturers and/or competitors.
- The more progressive manufacturers interviewed were starting to audit their distributors and rate them according to the number, type and quality of value

added services they provided to OEMs and end users. Each distributor's total point score would then be used in the negotiation of future discounts.

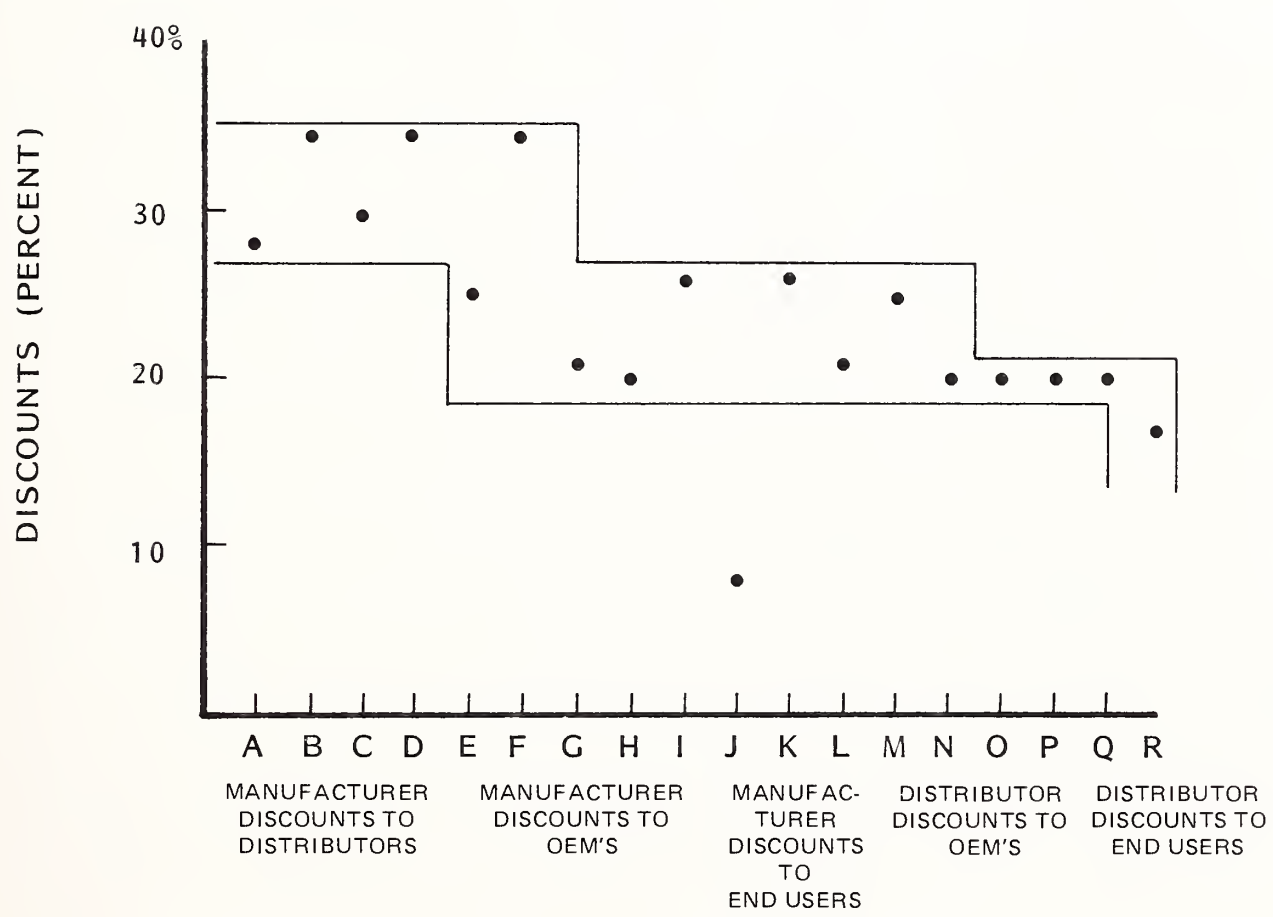
- The sensitivity analysis in Exhibit II-I shows a scatter diagram of manufacturers' and distributors' volume discounts, categorized by OEM and end user sales at 100-unit quantities. An analysis of this chart led to the following conclusions.

B. CONCLUSIONS

- Manufacturers' discounts to distributors are generally higher than manufacturers' discounts to OEMs and end users.
- Manufacturers' discounts to OEMs are generally about the same as their discounts to end users, substantiating distributors' and OEM's complaint that manufacturers do treat high-volume (100 units or more) end user purchasers like OEMs, even though they do not provide a "value added" service.
- Manufacturers' discounts to OEMs are about equal to the discounts that distributors give to OEMs, substantiating the distributors' claim that manufacturers are competing with them for OEM business.
- Manufacturers' discounts to end users are usually higher than distributors' discounts which shows that:
 - Manufacturers may be competing with distributors for end users' business.
 - Distributors can't discount as deeply as manufacturers with end users because of their relatively tight cost and discount structures.

EXHIBIT II-1

SENSITIVITY ANALYSIS:
DISCOUNTS GIVEN AT 100-UNIT QUANTITIES



- Since manufacturers' discounts to OEMs are generally about equal to their discounts to end users, OEMs must "add value" in their sale to end users in order to compete with manufacturers and to make a profit.
- It appears that there are isolated cases where manufacturers' discounts to OEMs are about equal to their discounts to distributors, making it difficult at times for distributors to sell to OEMs.

III MANUFACTURERS' DISCOUNTING POLICIES AND PRACTICES

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- The following headers represent subject areas surveyed in the study. Following each header is a summary of respondents' comments with graphs, where appropriate, to further illustrate the findings.

A. PUBLISHED VERSUS NONPUBLISHED DISCOUNT SCHEDULES

- All manufacturers interviewed stated that they had non-published (printed, but available only to internals) volume discount schedules.
- All manufacturers interviewed stated that they had published (printed, but available only to qualified OEMs and distributors) volume discount schedules which were usually attached to their distributor/reseller contracts.
- All manufacturer respondents stated that their discount schedules were either sensitive to:
 - Family or model of teleprinter.
 - Contract terms or conditions.
 - Value added components provided by OEMs or distributors.

- All manufacturers stated that their published discount schedules were "standard" for any and all purchasers, provided that they met the company's defined requirements for being an OEM or distributor.
 - The major criteria for being an authorized distributor as cited by manufacturers were:
 - Warehouse and stock their teleprinter units.
 - Make an annual commitment to purchase and take delivery of a prearranged number of units.
 - Pay for these units within the the manufacturer's specified time period.
 - The major criteria cited by manufacturers to be an OEM were:
 - Purchase a minimum number of units within some specified period of time (not necessarily one year).
 - Provide value added to the unit in the form of other systems hardware, software and/or interfacing.
 - Pay for these units within the manufacturer's specified time period.
- Fifty percent of respondent manufacturers provided suggested retail prices and volume discounts to their qualified OEMs and distributors.

-

B. REASONS FOR MANUFACTURERS' PUBLISHED/NONPUBLISHED DISCOUNT SCHEDULES

1. NONPUBLISHED - FOR INTERNAL USE

- "Reference documents for manufacturer's salespeople so that they do not make a mistake on price quotes to customers."

2. PUBLISHED - FOR AUTHORIZED OEMs AND DISTRIBUTORS

- Manufacturer wants to show that they "have a standard volume discount schedule for all qualified prospects."
- Manufacturer does not want there to be a "difference between its policies and actual practices in discounting."
- Manufacturer advertises prices in national trade journals and magazines. Manufacturer does not want "end user to call two different distributors and be quoted two different prices."
- Suggested retail price schedules to OEMs and distributors help manufacturer "bring some price order to the marketplace."
- "Manufacturers suggested retail prices need not be adhered to by OEM or distributor. They can sell above or below these prices; to mandate otherwise would be illegal."

**C. TYPE OF TELEPRINTER TERMINALS AND STANDALONE PRINTERS
MANUFACTURED BY RESPONDENTS**

- Brand names and model numbers are not mentioned by category of respondent because this would identify the manufacturer.
- Exhibit D-3 in Appendix D, however, shows the brand names and models of teleprinter units and standalone printers carried or manufactured by all respondents to the study.
- The following is a profile of the type of teleprinters and standalone printers produced by the manufacturers interviewed for this study.

I. IMPACT TELEPRINTERS

- Seventy-five percent (six) of the manufacturers produced impact teleprinters.
 - Eighty-three percent of the impact teleprinters had dot matrix print heads; 17% were full-character print heads.
 - Eighty-three percent of the impact teleprinters were serial printing devices, the balance were line printers.
- Each manufacturer produced an average of 2.5 types of RO teleprinters, the range among manufacturer respondents being from two to three.
- Four out of six manufacturers produced KSR versions.
 - Each of these manufacturers produced an average of 5.0 types of KSR units, the range being from one to ten.
- Each manufacturer produced at least one standalone printer.

- One manufacturer produced an ASR unit and another manufacturer a parallel printer.

2. NONIMPACT TELEPRINTERS

- Twenty-five percent (2) of the manufacturers interviewed produced nonimpact teleprinters.
- All had dot matrix print heads.
- All were serial printers.
- Each manufacturer produced an average of 5.5 types of KSR units, the range being from two to nine.
- One manufacturer produced an RO version.
- One manufacturer produced an ASR version.
- One manufacturer produced a teleprinter with a floppy disk.
- Both manufacturers produced a standalone printer.

3. SUBASSEMBLIES VERSUS COMPLETE UNITS

- Exhibit III-I shows the distribution of teleprinter terminals sold by respondent manufacturers.

EXHIBIT III-1

DISTRIBUTION OF TELEPRINTER TERMINALS SOLD
BY RESPONDENT MANUFACTURERS

MANU- FACTURER NUMBER	PERCENT SOLD					
	DISTRIBUTORS		OEM		END USERS	
	SUB ASSEM- BLIES	COMPLETE UNITS	SUB ASSEM- BLIES	COMPLETE UNITS	SUB ASSEM- BLIES	COMPLETE UNITS
1	-	100%	-	0%	-	0%
2	-	0	-	0	-	100
3	-	85	-	15	-	0
4	-	25	5%	10	-	60
5	1%	29	63	7	0%	0
6	-	5	-	60	-	35
7	-	69	-	30	-	1
8	-	15	5	20	0	60
AVERAGE	1%	41%	24%	18%	0%	32%

D. MANUFACTURERS' VOLUME DISCOUNT POLICIES AND PRACTICES

1. POLICIES

- All manufacturers interviewed said that they gave volume discounts on the sale of their teleprinters to the markets which they served, whether they be OEM, distribution or end user.
- This was true whether the teleprinters were impact or nonimpact, KSR or RO versions.

2. PRACTICES

- All manufacturers interviewed said that their practices of discounting did not differ from their policy of discounting.
- However, one manufacturer did say that "it really didn't give any volume discounts on its teleprinter products." Manufacturer's list price is in effect production cost, plus the cost of sales, plus a margin. Another manufacturer said that "it gave discounts because that is what the market wants to hear."
- In general, manufacturers granted OEM volume discounts more freely than distributor discounts, and granted distributor discounts to organizations that were not truly stocking distributors (or dealers).

E. REASONS FOR MANUFACTURERS' VOLUME DISCOUNTS

- The following are reasons respondents gave for manufacturers' volume discounts:
 - "Competition is the primary reason."

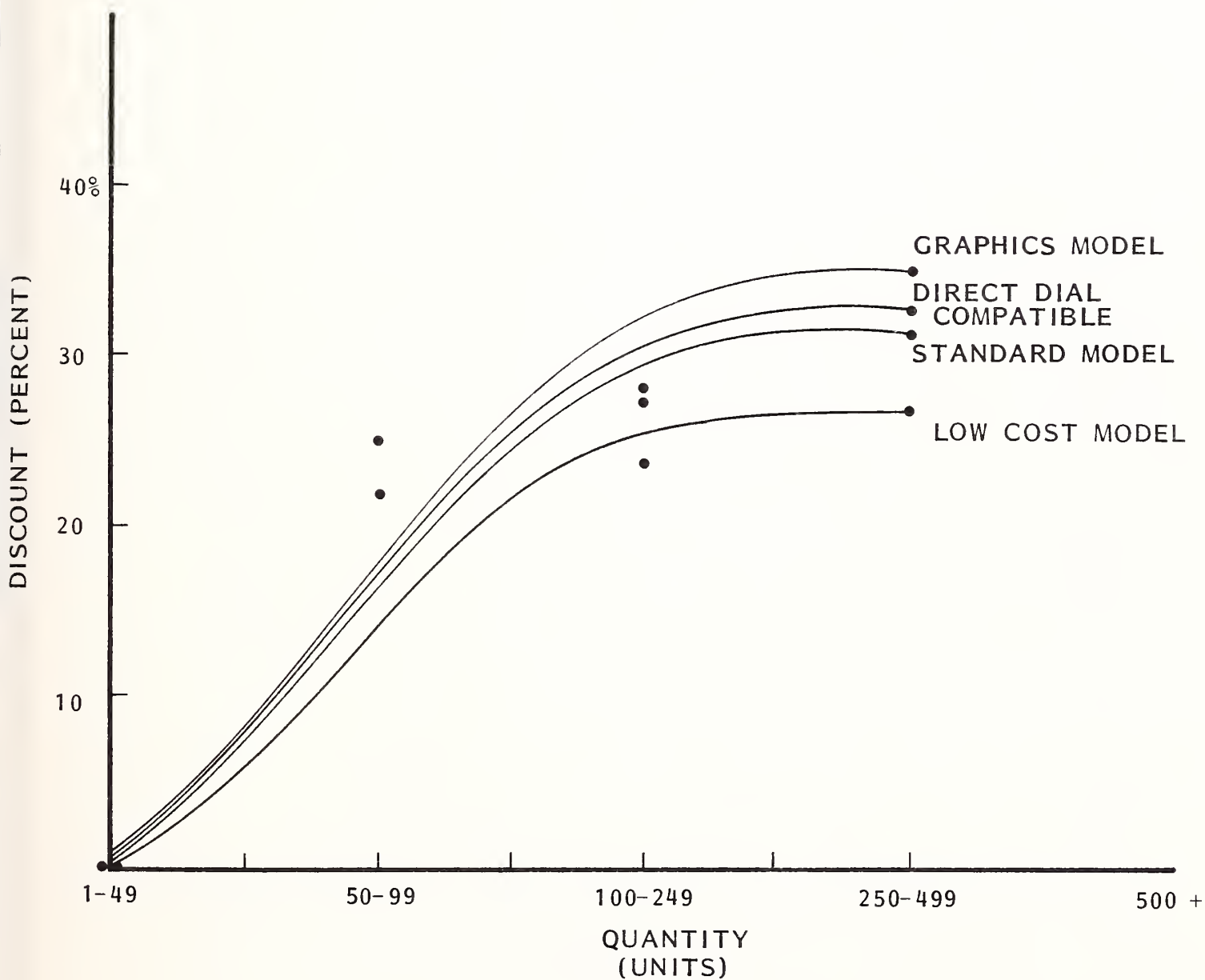
- "It's the American way; everyone wants a discount."
- "Cost of manufacturing a large number of teleprinters can be significantly reduced if the manufacturer knows in advance that it can sell them immediately and not have to stock them."
- "It costs the same to process a purchase order for 10 teleprinters or 1,000."
- "Industry expects discounts."
- "Provide discounts to our DADs (Direct Authorized Distributors) at a 500-unit minimum commitment."
- "Our OEMs and distributors get discounts because they add value to our product."
- "We can purchase our raw materials at less cost if we purchase in volume."

F. COMPARATIVE VOLUME DISCOUNTS BY MARKET

Note: Manufacturers' numbers are consistent across distributor, OEM and end user categories within this section.

- The following tables and graphic Exhibits III-2 through III-7 at the end of this section represent manufacturers volume discounts on teleprinter sales to distributors, OEM system houses and end users. The graphs in the exhibits are plotted directly from the tables.

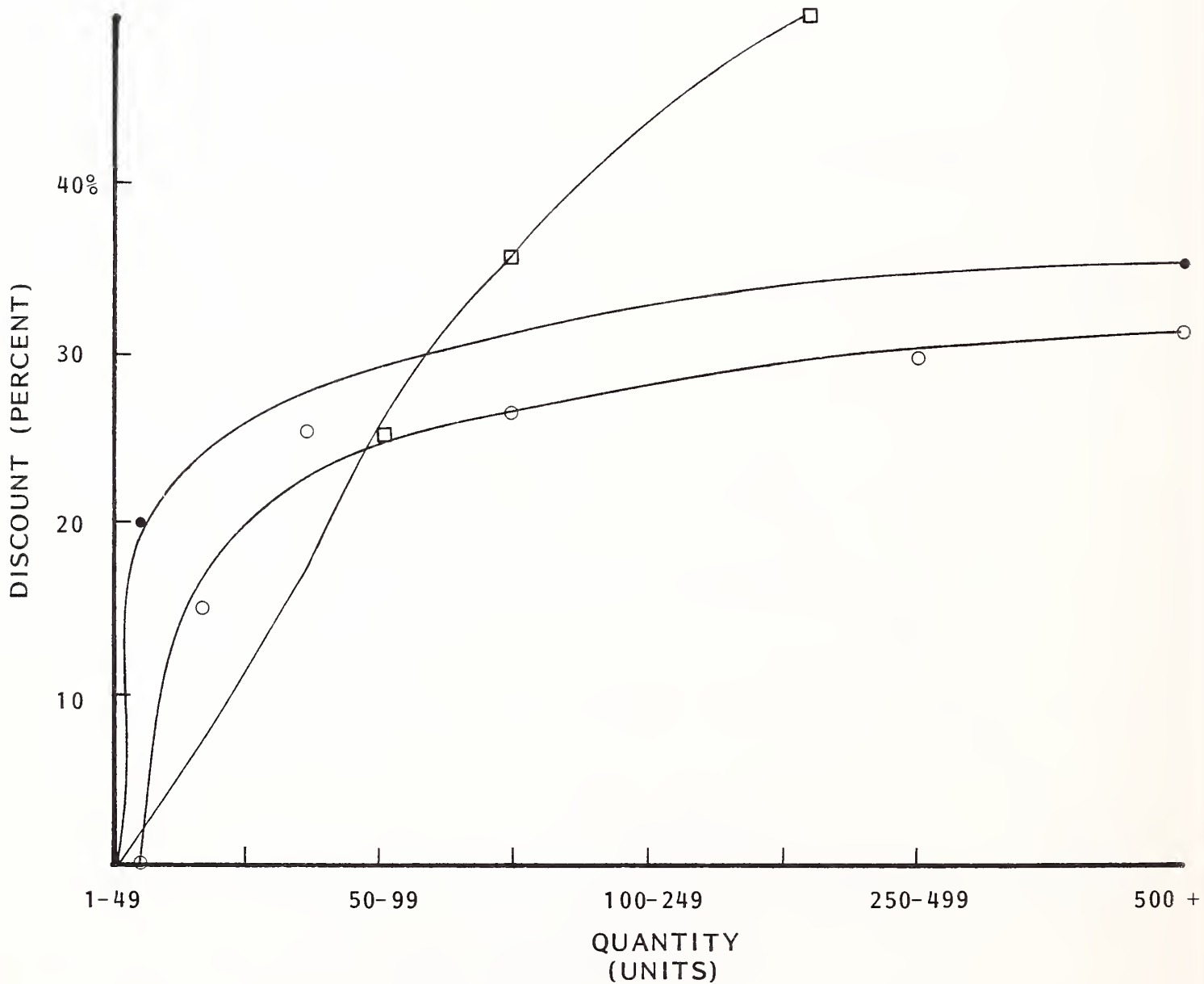
EXHIBIT III-2

COMPARATIVE VOLUME DISCOUNTS TO DISTRIBUTORS
(GROUP A)

• MANUFACTURER #4 (PORTABLE, THERMAL)

EXHIBIT III-3

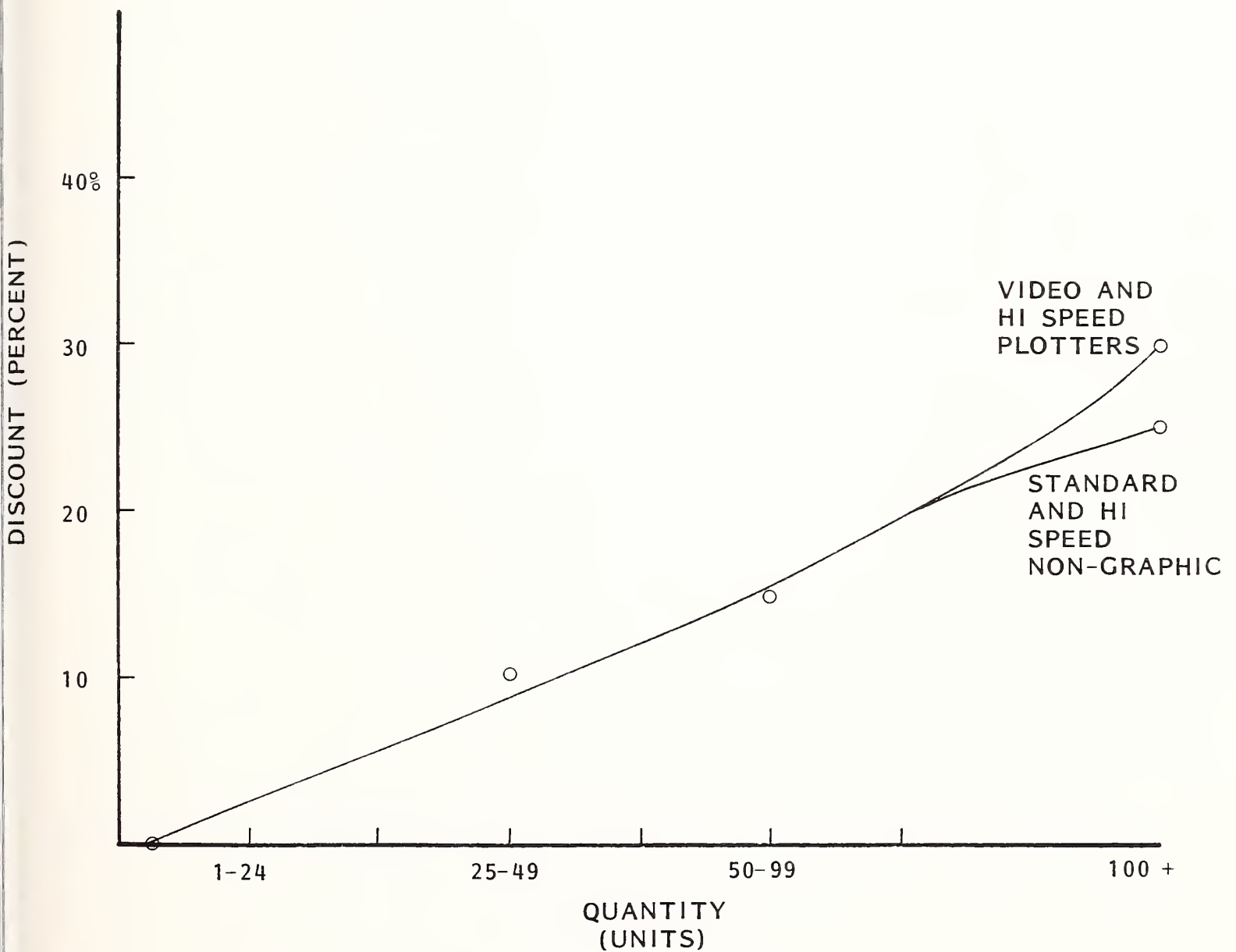
COMPARATIVE VOLUME DISCOUNTS TO DISTRIBUTORS
(GROUP B)



- MANUFACTURER #6 (IMPACT, QDA)
- MANUFACTURER #7 (IMPACT, BIG NEGOTIATOR)
- MANUFACTURER #8 (THERMAL, MEDIUM SIZED
25 UNIT MINIMUM)

EXHIBIT III-4

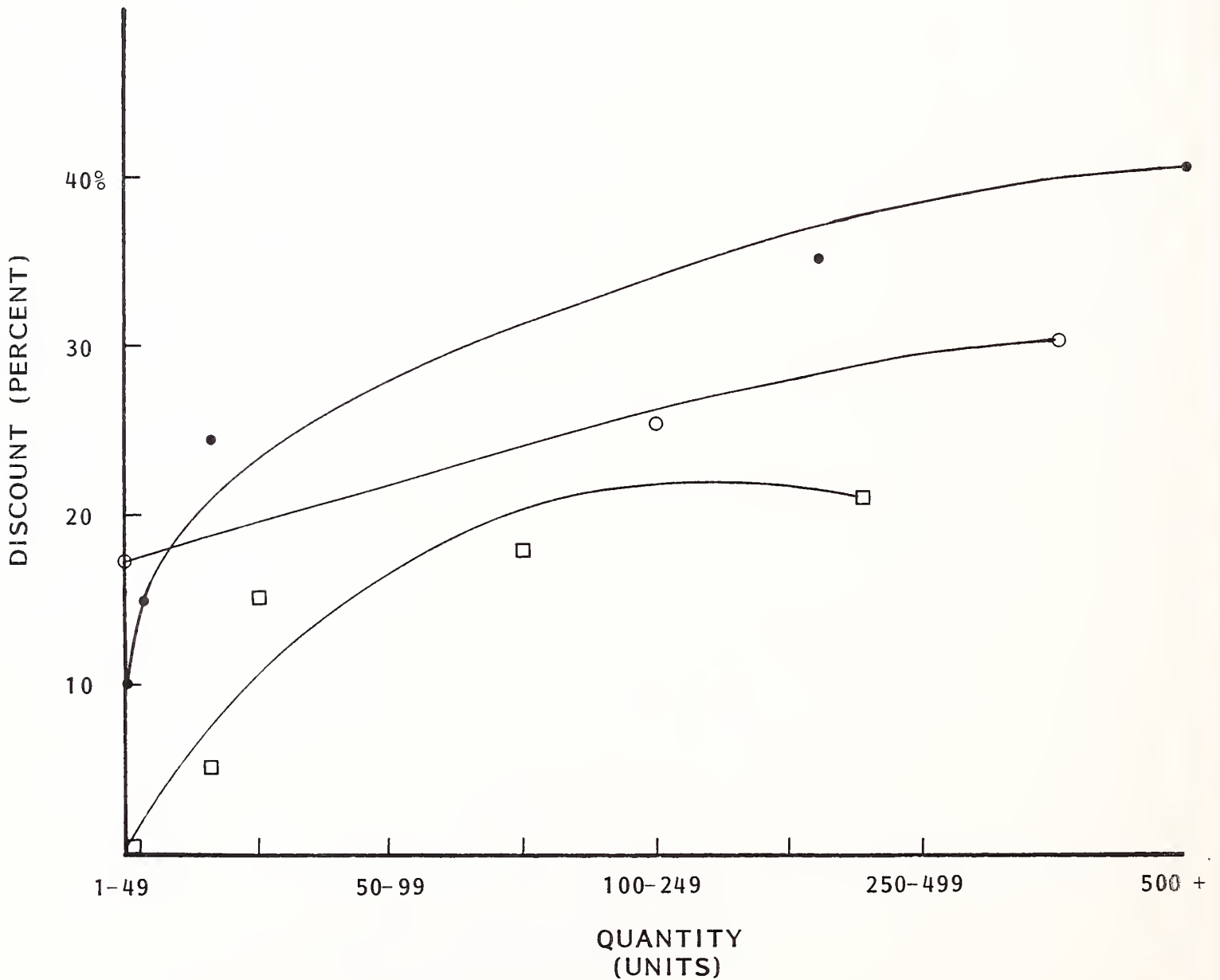
COMPARATIVE VOLUME DISCOUNTS
TO OEM SYSTEM HOUSES
(GROUP A)



○ MANUFACTURER #3 (WIDE RANGE OF MODELS)

EXHIBIT III-5

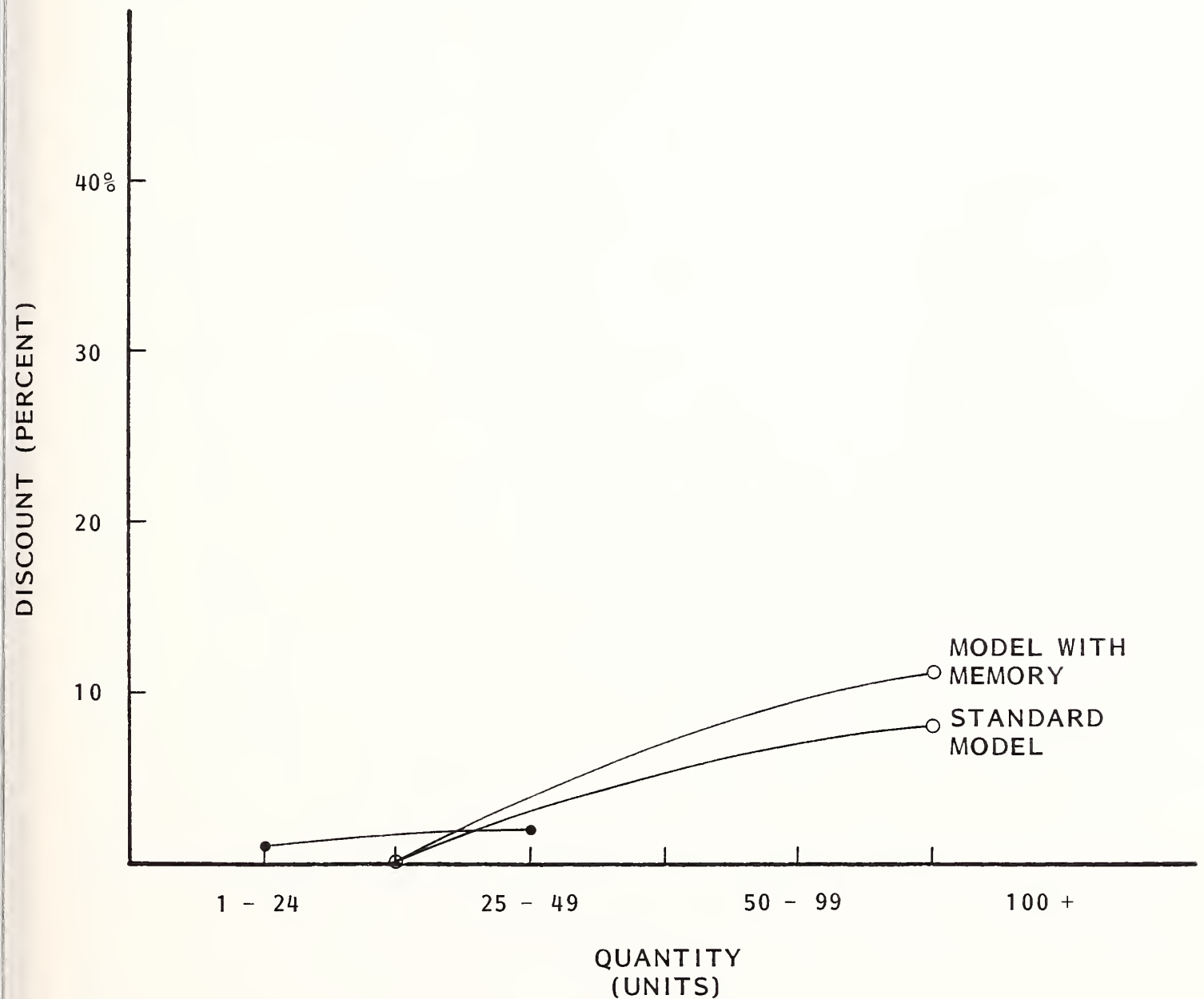
COMPARATIVE VOLUME DISCOUNTS TO OEM SYSTEM HOUSES (GROUP B)



- MANUFACTURER #1 (RARELY SELLS TO OEM'S, SAME DISCOUNTS TO DISTRIBUTOR)
- MANUFACTURER #6 (60% SALES TO OEM; 4 TYPES OEM DISCOUNTS)
- MANUFACTURER #8 (25% OF SALES)

EXHIBIT III-6

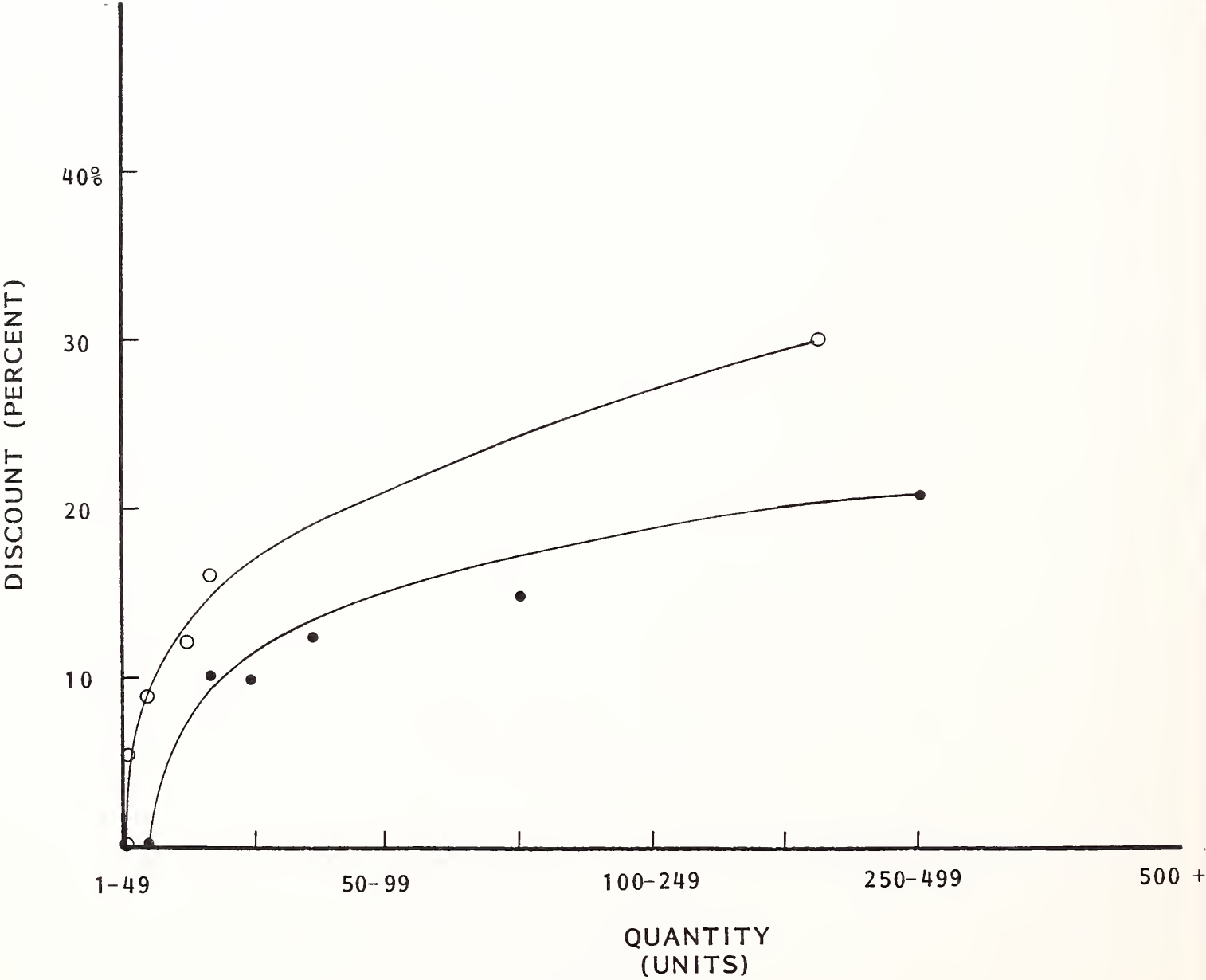
COMPARATIVE VOLUME DISCOUNTS TO END USERS
(GROUP A)



- MANUFACTURER #2 (IMPACT, SERIAL TELEPRINTER; 30% TO FORTUNE 1000)
- MANUFACTURER #4 (60% OF SALES; STARTING A DISTRIBUTORS NETWORK)

EXHIBIT III-7

COMPARATIVE VOLUME DISCOUNTS TO END USERS
(GROUP B)



- MANUFACTURER #6 (35% OF SALES; SMALL DIRECT SALES FORCE)
- MANUFACTURER #8 (60% OF SALES)

I. DISTRIBUTORS

a. Manufacturer #1

- Impact, RO, serial teleprinter.

<u>Quantity</u>	<u>Discount</u>
1-49	Won't Say
50-249	
250-499	
500-999	
1,000+	Negotiated

b. Manufacturer #2

- Does not sell to distributors.
- Used distributor networks before but dropped them - found direct sales force more effective.

c. Manufacturer #3

- Impact, RO, dot matrix, line teleprinter.
- Discount based on dollar value of all purchases in contract year, not volume discounts.
- Manufacturer requires \$5,000 minimum order.
- No distributor has ever placed an order for more than 100 units because there are a large number of configurations of each teleprinter, and no distributor could afford to stock that many models.
- Discount is built into \$5,000 minimum purchase.

d. Manufacturer #4

- Nonimpact, KSR, dot matrix, portable, thermal.
- G.E. is the only distributor.
- G.E. gets an extra 8% discount because it does its own equipment maintenance.

DISCOUNTS

<u>Quantity</u>	<u>Standard Model</u>	<u>Graphics Model</u>	<u>Telephone Direct to Model</u>	<u>Low Cost Model</u>
1-49	0%	0%	0%	0%
50-99	25	25	25	22
100-249	28	29	29	24
250+	31	35	32	26

e. Manufacturer #5

- Large manufacturer.
- Impact, full-character, RO, KSR, daisy wheel teleprinter.
- Thirty percent sales to distributors; program only one year old.
- Single price, no volume discounts.
- Must take 500 units/year minimum.
- Distributor gets better price than OEMs.
- Discount to distributor is about 37%.

f. Manufacturer #6

- Impact, KSR and RO.
- New channel of distribution.
- Use QDA (Quantity Discount Agreements) with distributors.

<u>Quantity</u>	<u>Discount</u>
50-99 Minimum	25%
100-199	35
200+	45

g. Manufacturer #7

- Large manufacturer, impact, KSR and RO teleprinters.
- Sixty-nine percent of sales to distributors.
- Took three years to develop distributor discount program.
- Manufacturer is a big price negotiator with distributors.

<u>Quantity</u>	<u>Discount</u>
10	20%
500	35

h. Manufacturer #8

- Medium-sized manufacturer.
- Thermal, KSR, ASR and RO dot matrix teleprinter.
- Distributors account for 15% of sales.

- Minimum of 25 units must be purchased to qualify as in authorized distributor.

<u>Quantity</u>	<u>Discounts</u>
1-9	0%
10-24	15
25-49	25
50-99	28
100-499	30
500+	Negotiable (About 32%)

2. OEM SYSTEM HOUSES

a. Manufacturer #1

- Rarely sells to OEMs; same discount schedule as distributor.

<u>Quantity</u>	<u>Discount</u>
1-49	18%
50-249	25
250-499	30
500-999	31
1,000+	Negotiated

b. Manufacturer #2

- Does not sell to OEMs.

c. Manufacturer #3

DISCOUNTS

<u>Quantity</u>	<u>Standard Model</u>	<u>Model With Interface</u>	<u>Model With ASCII Parallel Input</u>	<u>1200 bps Model</u>	<u>9600 bps Model</u>	<u>Model With Plotter</u>
1-9	0%	0%	0%	0%	0%	0%
10-49	10	11	9	8	7	9
50-99	15	16	16	16	17	18
100+	25	25	25	25	25	30

	<u>Hi-Speed Model Plotter</u>	<u>Video Plotter Model</u>
1-9	0%	0%
10-49	8	10
50-99	16	15
100+	30	30

d. Manufacturer #4

- Planning to get into OEM market.
- No volume discount schedule for OEMs.
- All discounts negotiable.

e. Manufacturer #5

- Seventy percent of sales to OEMs.
- OEM discount less than distributor discount, so can't compete with distributor.
- G.E. is a big OEM for this manufacturer.
- Manufacturer services small OEMs as well.
- Over 500 units, OEM gets better price than distributor.

<u>Quantity</u>	<u>Discount</u>
1-49	13%
50-100	15

f. Manufacturer #6

- Sixty percent of sales to OEM markets.
- Manufacturer has four types of OEM discounts, depending on terms and conditions.

	<u>Quantity</u>	<u>Discounts</u>
30-Day	1	10%
Warranty	2	15
Discount	3-5	19
	6-15	21
	16-20	24
	100-199	35
	200+	40

g. Manufacturer #7

- Thirty percent of sales to OEM market.
- Smaller volume breakpoints to attract OEM to manufacturer.

<u>Quantity</u>	<u>Discount</u>
100	30%
500	35 Maximum

h. Manufacturer #8

- OEM accounts for 25% of sales.

<u>Quantity</u>	<u>Discount</u>
1-9	0%
10-24	5
25-49	15
50-99	18
100-499	21
500+	Negotiable

3. END USERS

a. Manufacturer #1

- Does not sell directly to end users.

b. Manufacturer #2

- Impact, ASR and RO, serial teleprinter sells 30% to Fortune 1000.

	<u>Quantity</u>	<u>Discount</u>
Model A	1-50	0%
	50+	8
Model B	1-50	0
	50+	11
Model C	1-50	0
	50+	8

c. Manufacturer #3

- Does not sell directly to end users.
- "Touchy situation, but on large volume would sell to end user like an OEM."

d. Manufacturer #4

- Over 60% of sales to end user market.

- Reducing sales force; will move more to distributors.
- Five percent to educational.

	<u>Quantity</u>	<u>Discount</u>
All Models	1-25	1%
	26-50	2
	51-75	Negotiable
	76-100	Negotiable

e. Manufacturer #5

- No direct sales to end user; refers all leads to distributors.

f. Manufacturer #6

- Company's small direct sales force represents 35% of sales to end user.

<u>Quantity</u>	<u>Discounts</u>
1	0%
2	5
3-5	9
11-15	12
16-21	16
200	30

g. Manufacturer #7

- End user sales accounts for 1% of sales.
- Discounts negotiated only on large orders.
- Manufacturer quotes higher prices than distributor to ensure that end user goes to distributor.

h. Manufacturer #8

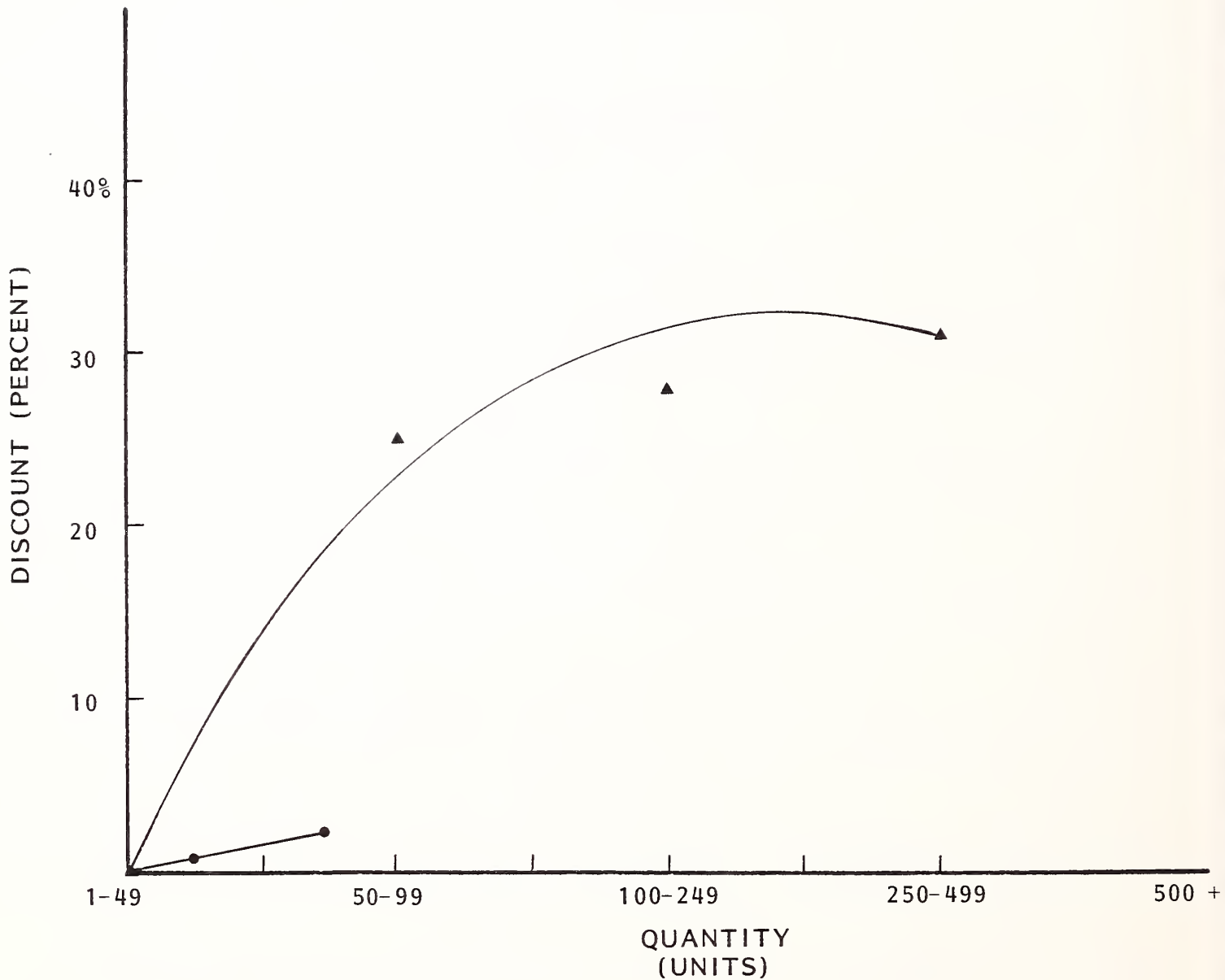
<u>Quantity</u>	<u>Discount</u>
1-9	0%
10-24	10
25-49	12
50-99	15
100-499	21
500+	Negotiable

G. MANUFACTURERS' VOLUME DISCOUNTS BY MARKET

- Exhibits III-8 through III-15 represent each respondent manufacturers' volume discounts for the sale of teleprinters to their respective distributors, OEM system houses and end user markets. The data for these graphs are taken directly from the tables in section III-F.
- The manufacturers' numbers in section G do not coincide with the manufacturers' numbers in Section F.
- Note that manufacturer #4's discounts to distributors are less than to OEMs at 75 units or less.
- Note also that Manufacturer #5's discounts to distributors are less than its discounts to OEMs for any volume level less than 500 units.
- Generic descriptions of each manufacturer can be seen in Section H (Manufacturers' Profiles).
- Exhibit III-16 shows the percentage of customers receiving discounts by market sector.

EXHIBIT III-8

VOLUME DISCOUNT PROFILE:
MANUFACTURER #1*

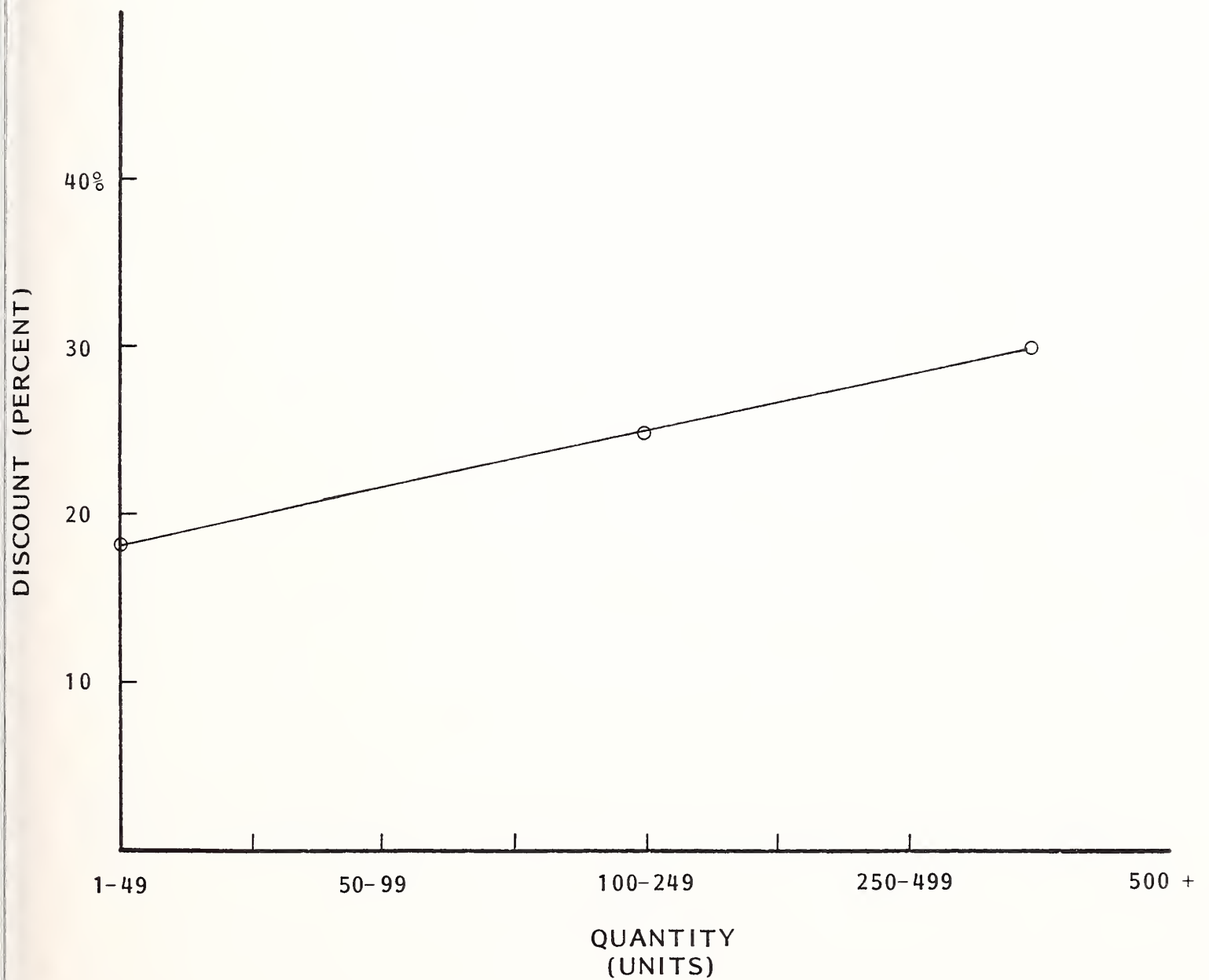


- ▲ DISCOUNTS TO DISTRIBUTOR
- DISCOUNTS TO END USER

* - PORTABLE
- THERMAL
- 3,000 UNITS SOLD TO DATE

EXHIBIT III-9

VOLUME DISCOUNT PROFILE:
MANUFACTURER #2*

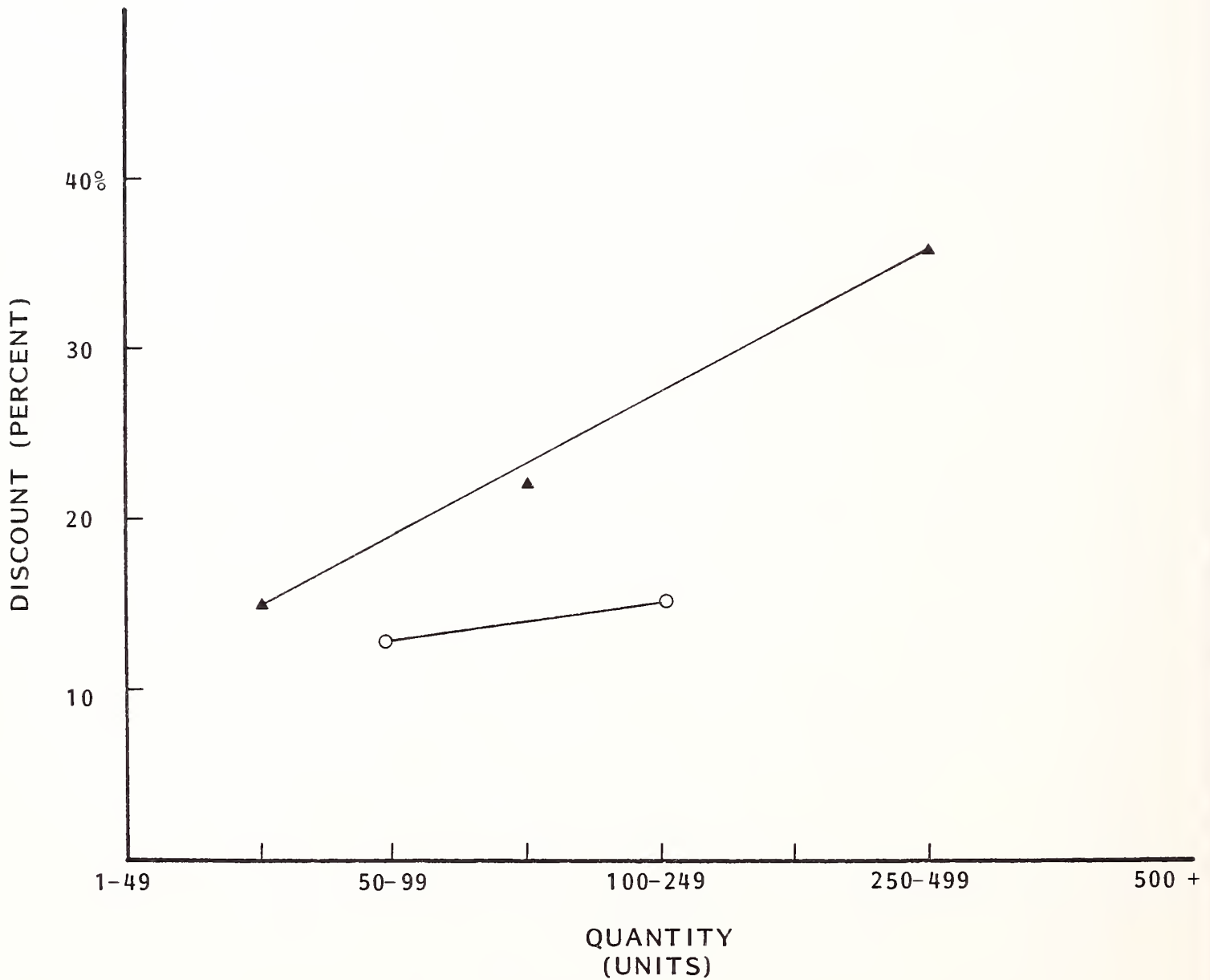


○ DISCOUNTS TO OEM

* - RO UNITS ONLY
- IMPACT

EXHIBIT III-10

VOLUME DISCOUNT PROFILE:
MANUFACTURER #3*

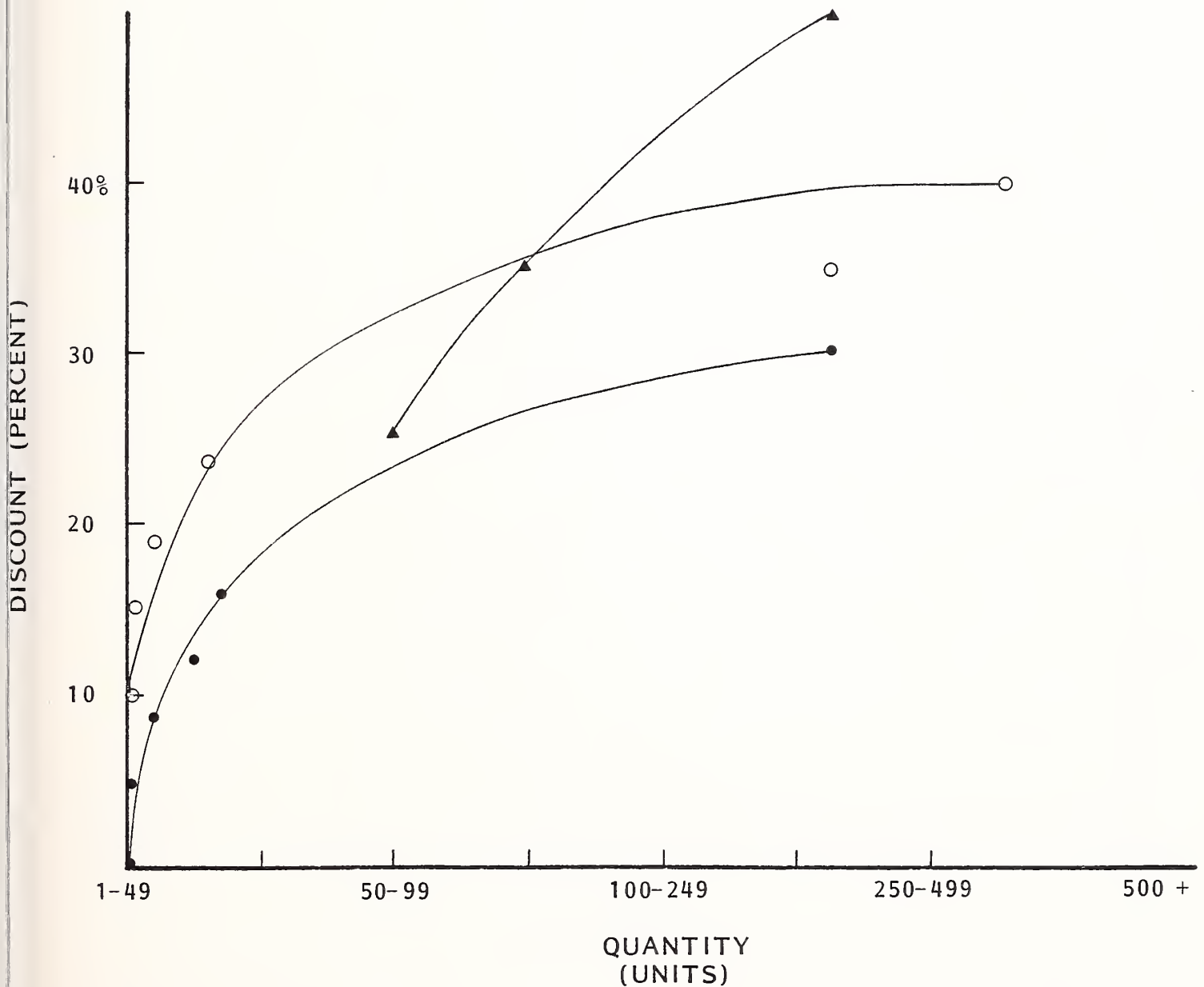


▲ DISCOUNTS TO DISTRIBUTOR
○ DISCOUNTS TO OEM'S

* - IMPACT
- DAISY WHEEL
- LARGE NUMBER UNITS SOLD
TO DATE

EXHIBIT III-11

VOLUME DISCOUNT PROFILE: MANUFACTURER #4*

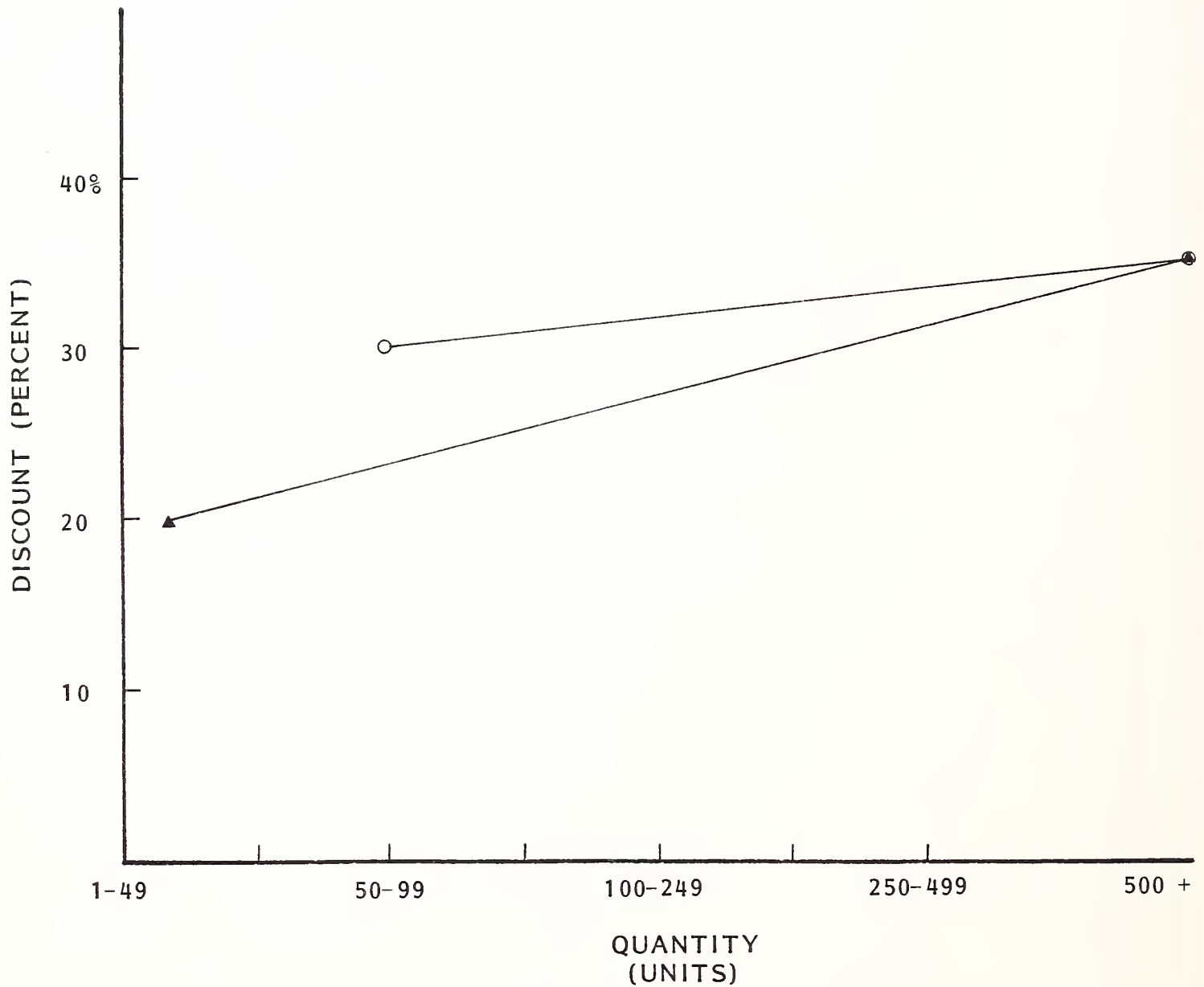


- ▲ DISCOUNTS TO DISTRIBUTOR
- DISCOUNTS TO OEM
- DISCOUNTS TO END USERS

* - NON PORTABLE
- IMPACT
- SERIAL PRINTER

EXHIBIT III-12

VOLUME DISCOUNT PROFILE:
MANUFACTURER #5*



▲ DISCOUNT TO DISTRIBUTOR

○ DISCOUNT TO OEM

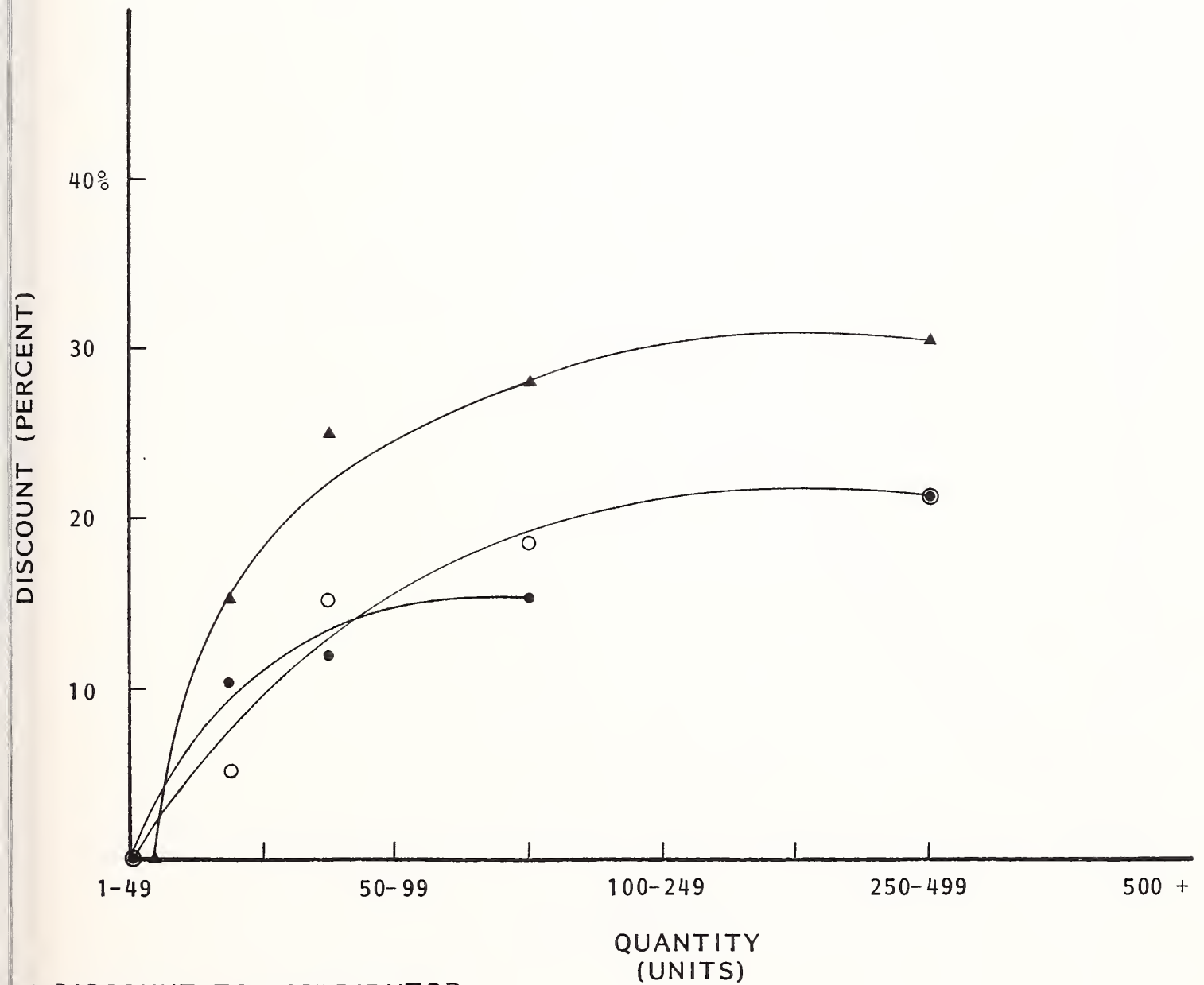
* - RO UNITS ONLY

- IMPACT

- NON PORTABLE

EXHIBIT III-13

VOLUME DISCOUNT PROFILE:
MANUFACTURER #6*

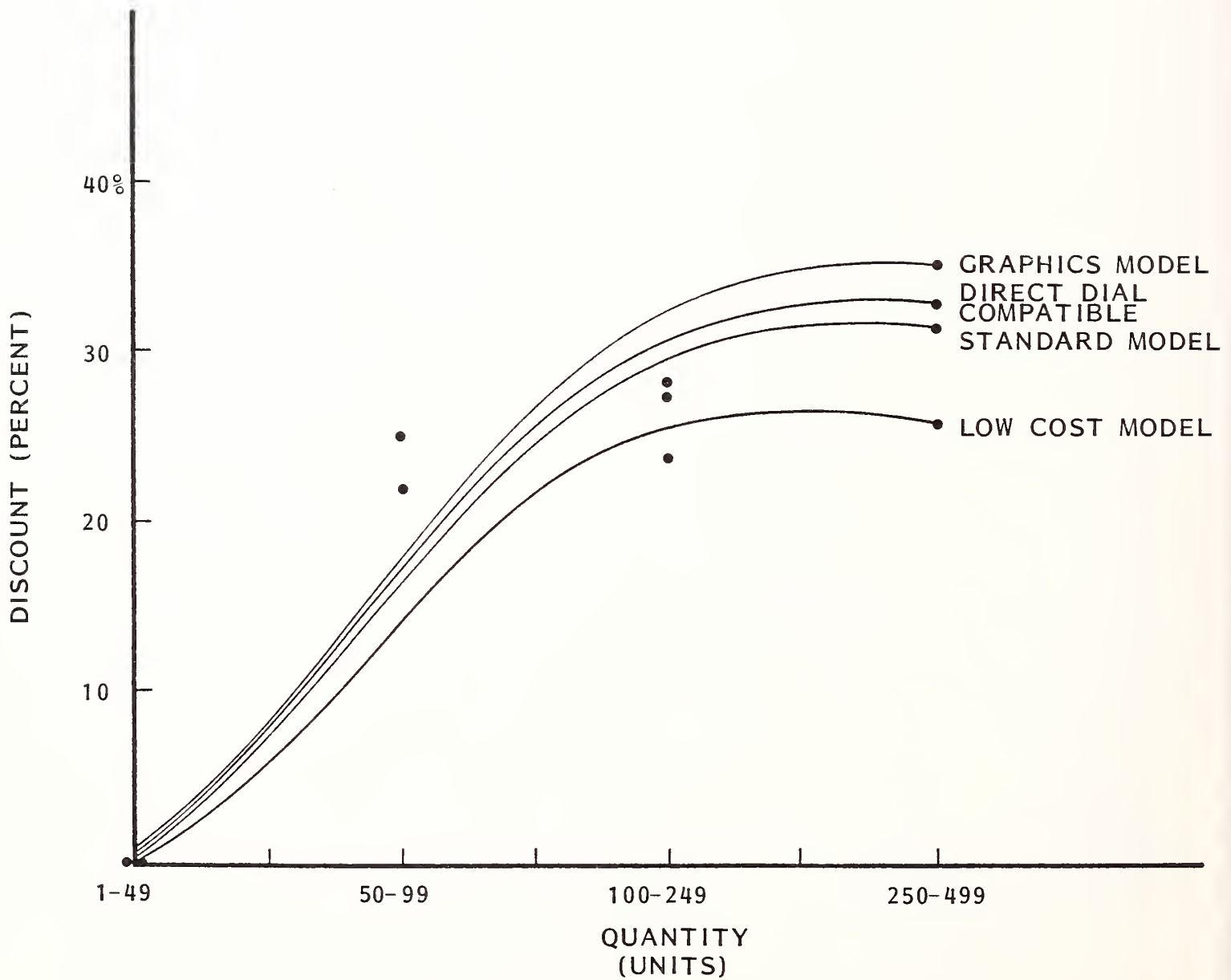


- ▲ DISCOUNT TO DISTRIBUTOR
- DISCOUNT TO OEM
- DISCOUNT TO END USER

* - PORTABLE
- THERMAL

EXHIBIT III-14

VOLUME DISCOUNT PROFILE:
MANUFACTURER #7*

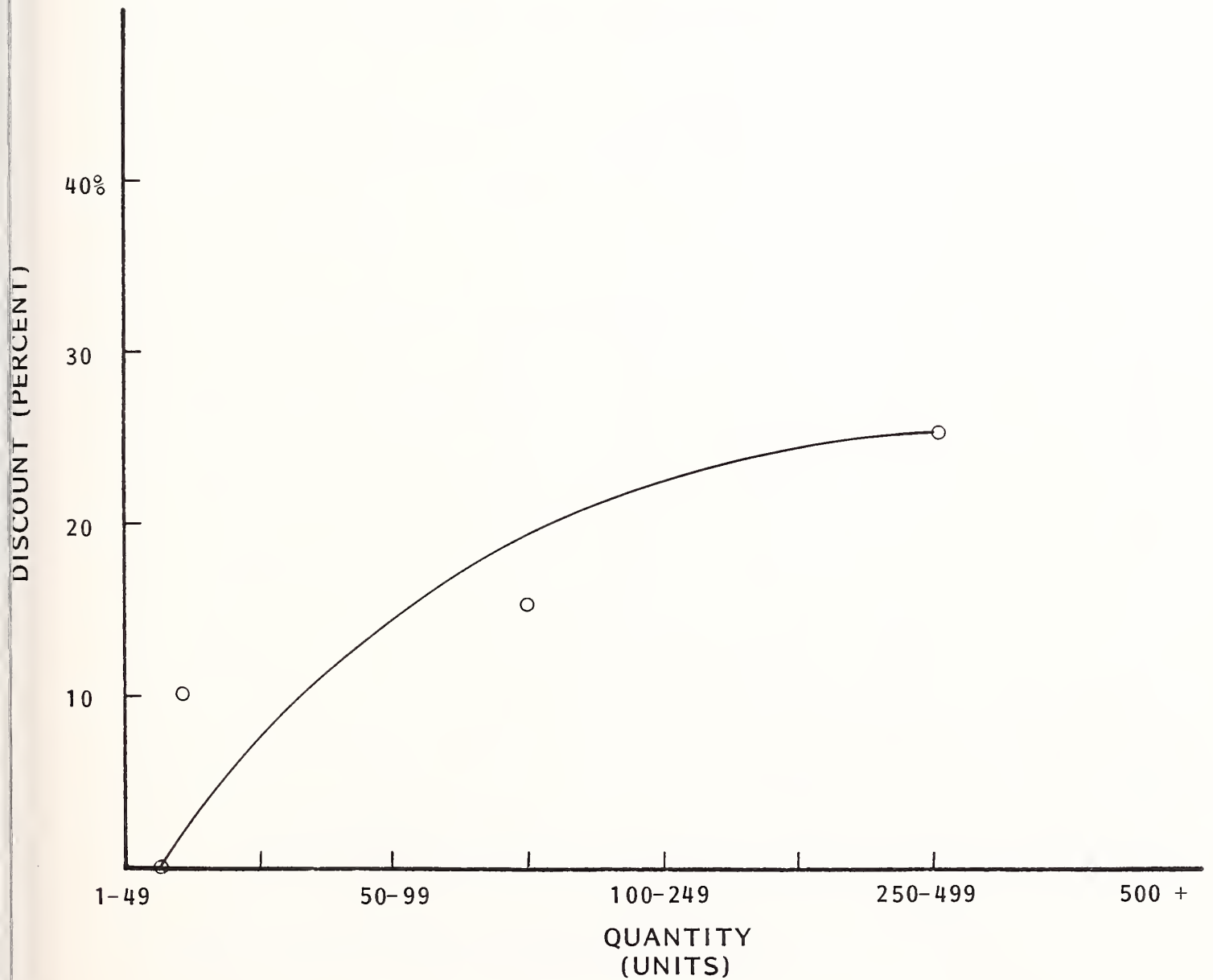


• TELEPRINTERS

* - PORTABLE
- THERMAL

EXHIBIT III-15

VOLUME DISCOUNT PROFILE:
MANUFACTURER #8*



○ DISCOUNTS TO OEM

- * - IMPACT
- NON PORTABLE
- KSR AND RO

EXHIBIT III-16

PERCENT OF CUSTOMERS RECEIVING DISCOUNTS

MANUFACTURER NUMBER	DISTRIBUTION	OEMs	END USERS
1	50%	100%	-
2	-	-	1%
3	100	100	-
4	100	100	DON'T KNOW
5	100	100	-
6	N/A	N/A	N/A
7	100	100	VERY FEW
8*	60	60	60
AVERAGES	85%	93%	30%

NOTE: MANUFACTURERS INTERVIEWED STATED THAT THEY DO NOT DISCRIMINATE IN DISCOUNTS BETWEEN FORTUNE 1,000 AND NON-FORTUNE COMPANIES BECAUSE IT USUALLY COSTS THE SAME TO DO BUSINESS WITH EITHER.

*SOME DISTRIBUTORS AND OEMs DO NOT MAKE AN ANNUAL CONTRACT COMMITMENT AND BUY IN SMALL LOTS (10 AT TIME). THESE COMPANIES USUALLY DO NOT QUALIFY FOR A DISCOUNT.

STOCKING VERSUS NON-STOCKING DISTRIBUTOR GETS THE SAME DISCOUNT.

H. MANUFACTURERS' PROFILES

I. GENERIC DESCRIPTIONS OF MANUFACTURERS IN SECTION G

a. Manufacturer #1

- KSR and RO units.
- Portable.
- Non-impact (thermal).
- 5 x 7 dot matrix.
- Three thousand teleprinters installed to date.

b. Manufacturer #2

- RO units only.
- Standalone.
- Impact.
- 5 x 7 dot matrix.

c. Manufacturer #3

- KSR and RO units.
- Nonportable.
- Impact.

- Daisy wheel.
- Large number of units installed to date.

d. Manufacturer #4

- KSR and RO units.
- Nonportable.
- Impact.
- 5 x 7, 7 x 8 and 5 x 9 dot matrix, serial printer.

e. Manufacturer #5

- RO units only.
- Nonportable.
- Impact.
- 7 x 7 dot matrix, serial printer.

f. Manufacturer #6

- KSR and RO.
- Standard portable.
- Nonimpact (thermal).
- 5 x 7 dot matrix.

g. Manufacturer #7

- KSR and RO.
- Nonportable.
- Impact.
- 7 x 7 dot matrix.
- Over 400,000 units installed to date.

h. Manufacturer #8

- KSR and RO.
- Nonportable.
- Impact.
- 7 x 7 and 11 x 7 dot matrix.

I. VALUE ADDED SERVICES PROVIDED WITH VOLUME DISCOUNTS

- Two manufacturers indicated that they give discounts for volume purchases, without concern for value added.
- The following represent manufacturer comments regarding distributor, OEM and end user discounts as a result of value added service.

I. DISTRIBUTORS

- "Stock teleprinter so that it can be delivered quicker to end user."
- "Distributor usually provides installation help and some form of maintenance or swap repair service, which is faster than reverting back to the manufacturer."
- "Distributor usually gives more favorable credit and payment terms."

2. OEMs

- "Enhance teleprinter by integrating it into system with applications software and mini or microcomputer."
- "OEM extends own warranty on entire system for a longer period of time than manufacturer."

3. END USERS

- No manufacturer interviewed considered value added by end user as a justification for volume discount.

J. TERMS AND CONDITIONS RELATING TO VOLUME DISCOUNTS

- The following are terms and conditions quoted by manufacturers which operate to increase or decrease the effective discount rate.

- "All prices are quoted as a base price. Everything else is an add on."

. Freight.

-

- . Installation.
- . Length of warranty.
- . Service.
- "Purchase minimum number of units (500)."
- "Distributor must be a stocking distributor."
- "Many parameters affect price, including:"
 - . Past record of payment of bills.
 - . Whether distributor provides own warranty.
 - . Annual dollar purchases.
 - . Whether distributor provides own maintenance.
- "Few terms and conditions; just give discounts on volume."
- "The more custom the requirements, the more we can control customer pricing."
- "Since OEMs can make better profits by marking up their systems, they tend not to depend as much on manufacturers' volume discounts."

K. OTHER MANUFACTURERS' DISCOUNTS

- In addition to volume discounts, manufacturers were asked if they gave discounts for other reasons. The following are manufacturer comments regarding other discounts.

1. DISTRIBUTORS

- "Two percent net ten for prompt payment" (two respondents).
- "Depends on whether distributor takes a 30-, 60- or 90-day warranty."

2. OEMs

- One manufacturer had three types of SUDAs (System Unit Discount Agreements) with OEMs, depending on whether:
 - Teleprinters are produced internally.
 - Teleprinters are manufactured by another company and resold.
 - Teleprinters include software.
- The remaining manufacturers had no other form of discounts to OEM system houses.

3. END USERS

- "No other manufacturer discounts except volume" (four respondents).

L. MANUFACTURERS' SPECIALLY NEGOTIATED DISCOUNTS

- One hundred percent of manufacturer respondents stated that they do not give any specially negotiated discounts except at very high levels of purchase of teleprinters by OEM, distributors or end users.

-

- Only one of the manufacturers interviewed stated that it would negotiate discounts on subassemblies. (See Exhibit III-1.)
- None of the manufacturers would specify what the nature of these discounts would be.

M. POLICY VERSUS PRACTICE OF DISCOUNTING

- All manufacturers stated that there was no difference between their policies and practices in giving discounts to distributors, OEMs and end users; i.e., that their practices were consistent with their policies.
- Most manufacturers, however, did say they do discriminate between the nature of the customer and the level of purchases by that customer when deciding discounts.
- Only one manufacturer interviewed said that it sold its teleprinters at the same price to all distributors, regardless of volume. (See Chapter IV.)

N. FUTURE TRENDS IN DISCOUNTING

- The following are manufacturers comments regarding future discounting trends.

I. BY MANUFACTURERS INTERVIEWED

- "Same as today, see no reason to change unless the economy gets worse."
(Seven respondents.)

- "Inflation is squeezing the middleman's profits. Manufacturers' prices probably won't decline; a manufacturer will be fortunate if it can maintain existing price levels. Demand will remain level or decline if the economy gets worse." (Eighth respondent.)
- One manufacturer foresees narrower and more frequent volume breakpoints to distributors and OEMs. "Many distributors like the higher discounts and overbuy. As a result, the manufacturer will not hear from them for 18 months or more."

2. BY OTHER COMPANIES IN THE INDUSTRY

- "See changes in selling price of teleprinters given rampant inflation, but do not see any change in the discount structures - there is no need to."
- "Not much latitude, given increasing costs and price sensitivity of end users."
- "Hard to say, the industry is like the stock market; at times it is very volatile and moves on a day-to-day basis."
- "No change expected." (Five respondents.)

-

IV DISTRIBUTORS' DISCOUNTING POLICIES AND PRACTICES

IV DISTRIBUTORS' DISCOUNTING POLICIES AND PRACTICES

A. RESPONDENTS' POLICIES ON PUBLISHED AND NONPUBLISHED DISCOUNT SCHEDULES

- The following represent distributors comments regarding published and non-published discount schedules.
 - "Schedules not published for public use; are available to internals only."
 - "Print price schedules for internals on new teleprinter models only."
 - "Will never publish discount schedules."
- Five out of eight respondents (63%) said that they adhered to manufacturers' suggested retail prices; 25% (two out of eight) did not, and one respondent would not say.
- No respondent adhered to manufacuters' discounts.
 - "Discounts are the same for each line of teleprinter, even though G.E. prints separate suggested discount schedules for each model of teleprinter."
 - "We will not discount from suggested retail price of manufacturer by more than 20%."

- "We usually quote full list prices, but if we are put under a competitive squeeze, we quote base prices and everything else is quoted extra."
- "Pricing schedule is within $\pm 5\%$ of suggested retail price of manufacturer - exception is 10% on special promotions; to go beyond would be self-defeating."
- Exhibit IV-1 shows the distribution of teleprinter sales by respondent distributors to end user markets.

B. REASONS FOR DISTRIBUTORS' PUBLISHED/NONPUBLISHED DISCOUNT SCHEDULES

1. NONPUBLISHED

- "Competition is fierce; we don't dare publish discount schedules."
- "Used as a reference document; prevents quotation mistakes by our salespeople."
- "We try not to compete with manufacturers; therefore we make manufacturers' discounts to end users as well as our own available to our salespeople; they then know to what degree they can be competitive on bids."

2. PUBLISHED

- "Legal reasons - don't want to sell teleprinters at different prices to different people in the same period of time."

EXHIBIT IV-1

DISTRIBUTION OF TELEPRINTER TERMINALS
SOLD BY RESPONDENT DISTRIBUTORS

DISTRIBUTOR NUMBER	PERCENT SOLD							
	OEM		FORTUNE 1000		NON-FORTUNE		EDUCATIONAL	
	IMPACT	NON-IMPACT	IMPACT	NON-IMPACT	IMPACT	NON-IMPACT	IMPACT	NON-IMPACT
1	25%	-	25%	-	25%	-	25%	-
2	95	95%	5	5%	5	5%	5	5%
3	50	-	25	-	25	-	-	-
4	5	5	70	70	25	25	0	0
5	80	-	10	-	10	-	0	-
6	5	5	60	60	20	20	15	15
7	15	15	45	45	45	45	40	40
8	20	-	60	-	20	-	0	-

3. USE OF MANUFACTURERS' SUGGESTED RETAIL PRICES/DISCOUNTS

- "We carry over 70 different products; would need a full-time staff to write and keep different pricing and discount schedules updated for each product."
- "No additional bookkeeping or complex calculations needed if we negotiate discounts from manufacturer's suggested retail prices - danger to using our own discount and price schedules is that it can be lost, stolen or sent out of the company."

C. DISTRIBUTORS' VOLUME DISCOUNT POLICIES

- Five out of eight (63%) distributors said that they do provide volume discounts on sales of teleprinter terminals to end users.
- One respondent each said:
 - "We discount on volume to OEMs, but not to end users, who usually only buy one or two units."
 - "No need for us to discount further from the manufacturers' suggested retail prices."
 - "We don't have a standard volume discount to OEMs or end users just because they purchase certain levels of volume; our discounts are negotiated for other reasons."

D. REASONS FOR DISTRIBUTORS' VOLUME DISCOUNTS

- "It's the 'American Way' - everyone does it; must discount to remain competitive."

- "Manufacturer can sell to end user at the same price that a distributor can quote to an end user; we would look silly if we did not beat the manufacturer's price."
- "Problems with discounts come only at high-volume purchase levels. At some point in the manufacturer's volume discount curve there is not enough profit for a distributor to match the discount of a manufacturer even if they really want a certain account."
- "Distributor is straddled between complying with the 'law of the land' and the 'law of supply and demand'."
- "Manufacturers will usually compete with distributors for sales over 50 units; therefore the effective volume pricing discount window to distributors by manufacturers is really much smaller than the distributor contract schedule leads one to believe."
- "Manufacturers control the volume and price levels where distributor can profitably operate; to expand this window a distributor tries different combinations of discount and value added techniques."
- "Our policy is very flexible; we feel free to give any discount we desire to anyone at anytime."

E. DISTRIBUTORS' VALUE ADDED COMPONENTS AND SERVICES

- As expressed by distributor respondents:
 - "We are a stocking distributor; customer therefore gets teleprinter delivery faster than by going to the manufacturer."
 - "We provide on-site maintenance or swap service for broken or malfunctioning units."

- "We extend our own (better) warranty in lieu of manufacturers' warranty."
- "We do not look upon our teleprinter stocking and warehousing as a 'value added' service which we provide to the end user."
- "We are more lenient on credit and payment terms than manufacturer."
- "We provide very little other value added services except warehousing."
- "We are being forced into the systems business to survive in order that we are not continually 'whipsawed' by the market and/or manipulated by manufacturers. With a systems approach, we have more control of our profits, but we are not keen on the up-front investments necessary to get into this business."
- "We unpack each unit received from the manufacturer and do the quality control which the manufacturer doesn't do before shipping."
- "We provide installation and wiring without charge."

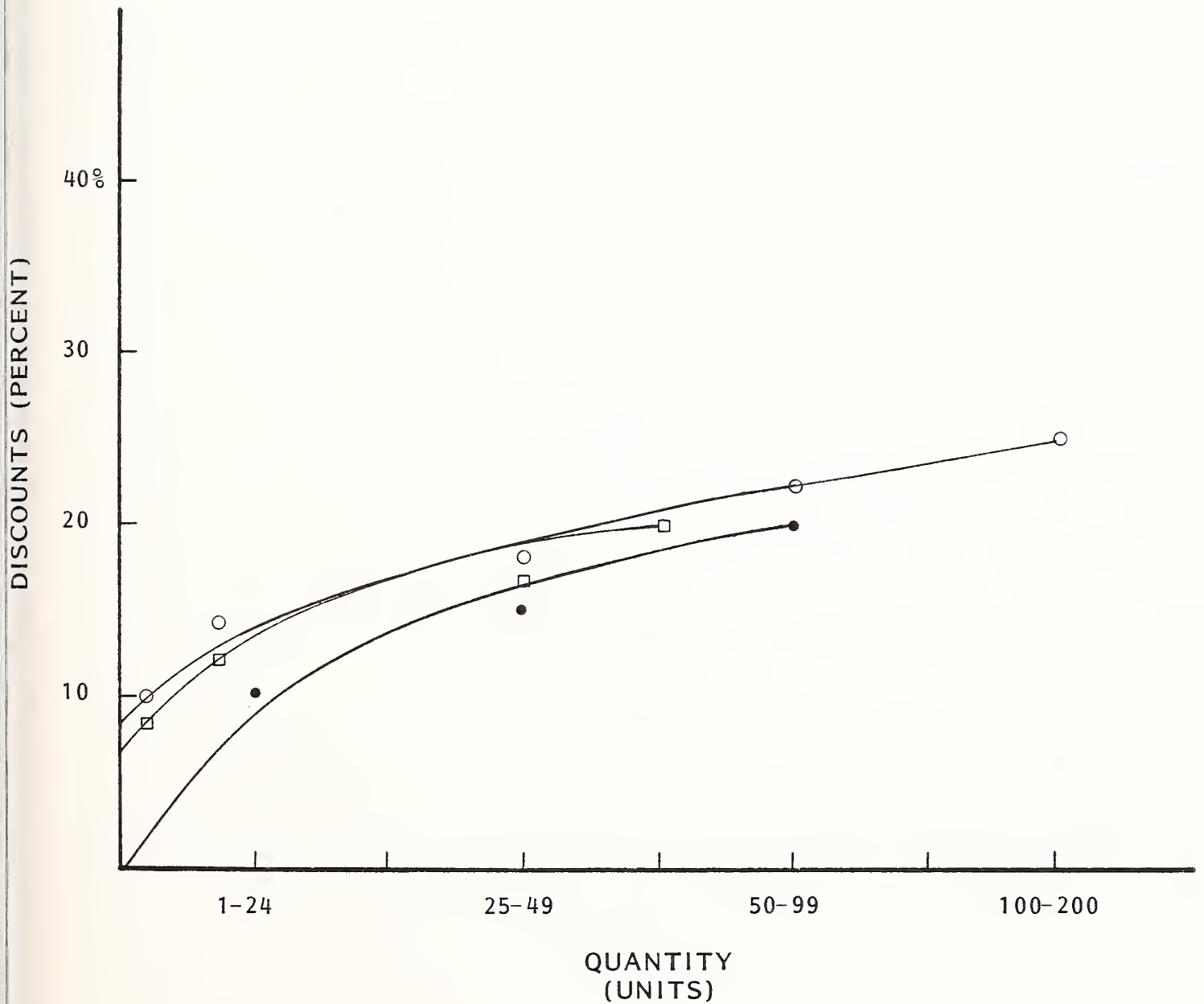
F. COMPARATIVE VOLUME DISCOUNTS BY MARKET

Note: Distributor's number is consistent across OEM and end user categories within this section.

- The following Exhibits IV-2 through IV-4 represent distributors' volume discounts to OEM systems houses and end users. The graphs in the exhibits are plotted from the corresponding data found in the tables.

EXHIBIT IV-2

DISTRIBUTORS' VOLUME DISCOUNTS TO OEM SYSTEM HOUSES



- DISTRIBUTOR #2 (ONE OF TOP 10 U.S. DISTRIBUTORS)
- DISTRIBUTOR #3 (ONE OF TOP 5 U.S. DISTRIBUTORS)
- DISTRIBUTOR #4 (SMALL, LOCAL/REGIONAL DISTRIBUTOR)

EXHIBIT IV-3

MANUFACTURERS' SUGGESTED OEM DISCOUNTS TO DISTRIBUTORS

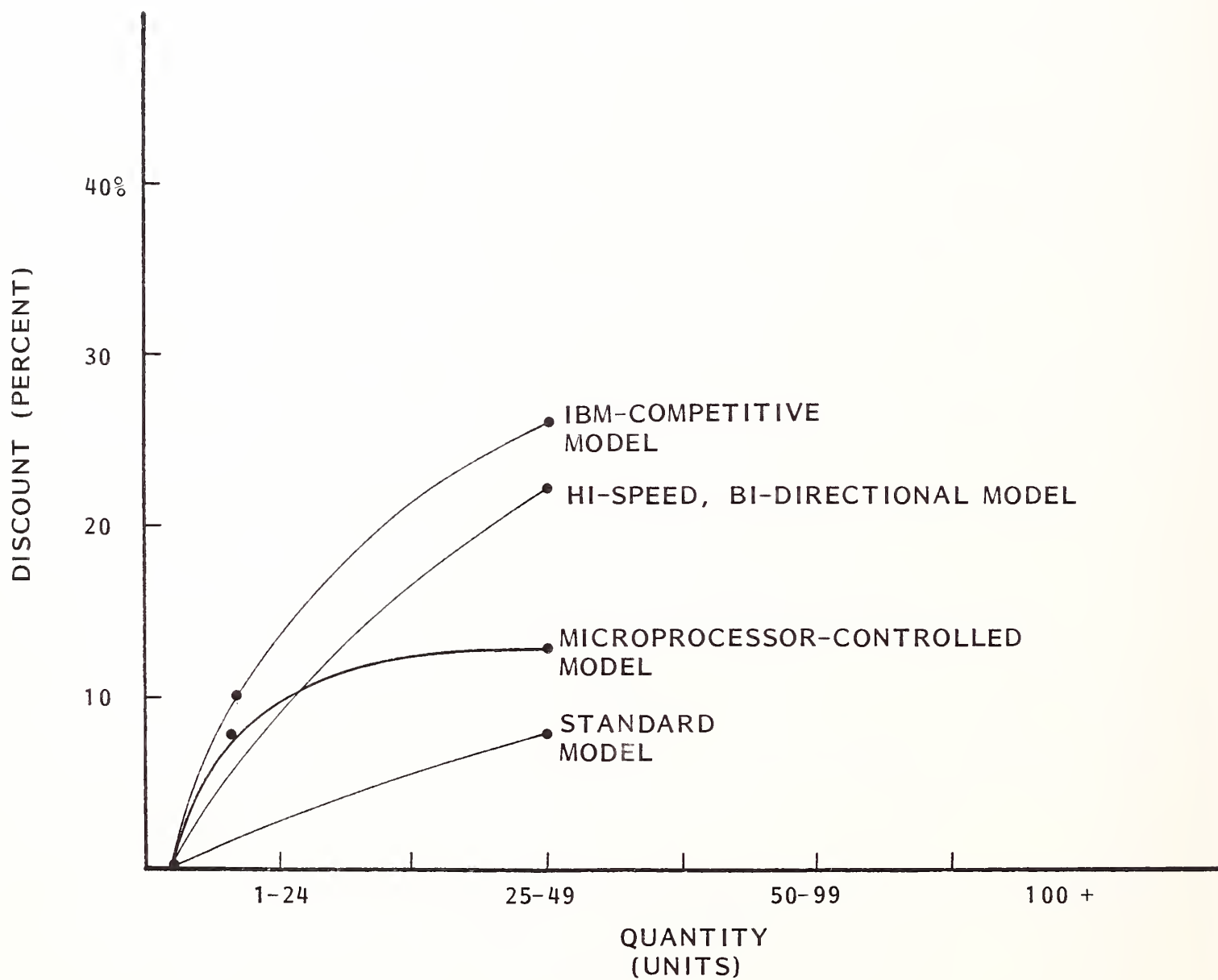
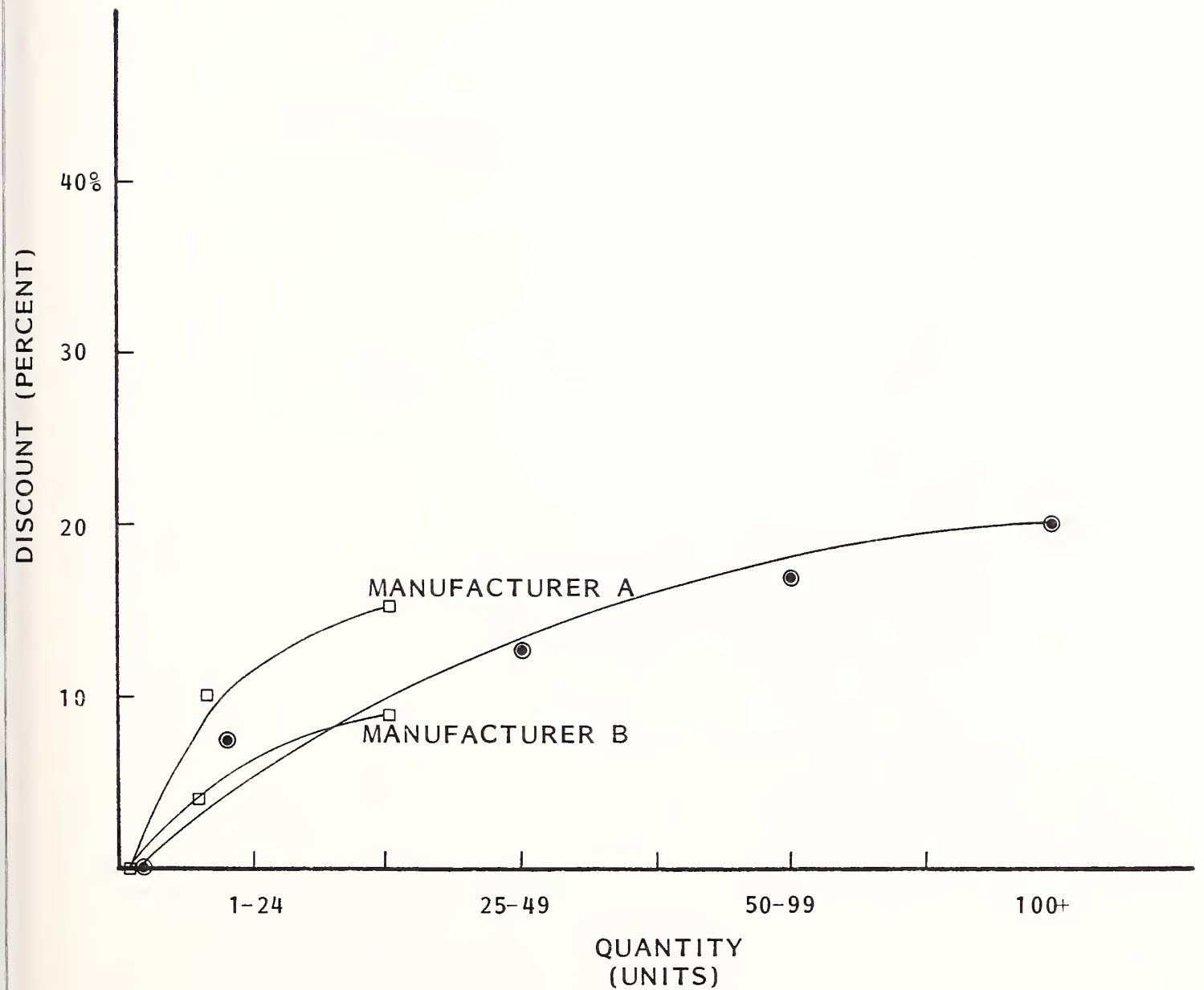


EXHIBIT IV-4

DISTRIBUTORS' VOLUME DISCOUNTS TO
FORTUNE AND NON-FORTUNE COMPANIES



- DISTRIBUTOR #2
- DISTRIBUTOR #3
- DISTRIBUTOR #8 (80% OF DISTRIBUTOR SALES)

I. OEM SYSTEM HOUSES

a. Distributor #1

- Intermediate-sized, regional distributor.
- Distributor maintains 10% spread in discounts between OEM and end user sales.
- Impact, RO and KSR teleprinters.
- General pricing policy: distributor marks up all prices 35% and then discounts up to 10% to preserve net minimum margin of 25%.
 - Distributor tells OEMs that they can buy the product cheaper by going directly to the manufacturer.
- Brand A, Model A.
 - Can give up to 5% discount from 25 units and up; can really sharpen pencil at 250+ units.

b. Distributor #2

- One of top ten distributors in the U.S.
- Impact and non-impact, KSR and RO teleprinters.
- Discounts are the same for both series of teleprinters.
- Manufacturer has separate reseller and distributor contracts; this distributor is a true stocking distributor.

	<u>Quantity</u>	<u>Discount</u>
Brand A, Series A & B	1-9	10%
	10-24	14
	25-49	18
	50-99	22
	100-199	25

- Distributor can't compete with manufacturer over 100 units.

c. Distributor #3

- One of top five distributors in the U.S.
- Carries one major brand-name teleprinter.
- Has only been a distributor for this manufacturer one and one-half months.
- Impact, KSR and RO teleprinters.

	<u>Quantity</u>	<u>Discount</u>
Brand A, Series A	1-24	10%
	25-49	15
	50-99	20
	100+	None published
Brand A, Series B	1-9	10%
	10-24	10
	25-49	15
	50-99	20

d. Distributor #4

- Small local/regional distributor.
- Impact and non-impact; KSR and RO teleprinters.

- Maintains same discount structure for all three brands and models.

<u>Quantity</u>	<u>Discounts</u>
1-9	8%
10-24	12
25-49	16
50+	20

e. Distributor #5

- One of top 15 distributors in U.S.
- Impact, KSR and RO teleprinters.
- Eighty percent of sales to OEM markets.

	<u>Quantity</u>	<u>Discount</u>
Brand A, Model A	1-24	0%
	25-1,000	23
	over 1,000	30

Brand B, All Series - Monolithic discount structure for all OEMs and end users.

f. Distributor #6

- Large- to intermediate-sized national distributor.
- Impact and non-impact; KSR and RO teleprinters.
- Distributor adds on a 40% mark-up to manufacturer's list price, but will not discount more than 20% in any case.

	<u>Quantity</u>	<u>Discount</u>
All Brands and Models	1-4	5%
	5-9	10
	10-14	12
	15-19	14
	20-99	16
	100+	20

- Manufacturers' suggested OEM discounts:

OEM DISCOUNT

Quantity	Brand B, Model	A	B	C	D	E	F	G	H
1-9		0%	0%	0%	0%	0%	0%	0%	0%
10-24		8	9	10	9	9	0	0	0
25-49		22	23	26	25	25	8	8	8

Quantity	Brand B, Model	I	J	K	L	M	N	O	P	Q
1-9		0%	0%	0%	0%	0%	0%	0%	0%	0%
10-24		9	10	10	10	8	9	10	10	11
25-49		25	13	13	27	22	23	28	19	21

MICROPRINTER LINE

Quantity	Brand B, Model	R	S	T	U	V
1-9		0%	0%	0%	0%	0%
10-24		0	0	0	0	11
25-49		10	10	11	11	23

- Manufacturers' suggested discounts to retailers are identical to OEM discount at 25-49 units.

g. Distributor #7

- Small to medium-sized, local/regional distributor.
- Impact and non-impact; KSR and RO teleprinter.

- Five percent of sales are to OEM markets.
- Won't reveal discounts.

h. Distributor #8

- Small to medium, local/regional distributor.
- Impact, KSR and RO teleprinters.
- Twenty percent sales to OEM markets.

<u>Quantity</u>	<u>Discount*</u>
1-19	15%
20-49	17
50+	20 Maximum

- Distributor suggests to OEM to purchase directly from the manufacturer.

* Distributors' discounts are smaller to end users than to OEMs because distributor considers main business as selling to OEMs; does not want to work against "Theory of Distribution."

2. FORTUNE AND NON-FORTUNE COMPANIES

a. Distributor #1

- Brand A, Model A.
 - Distributor tells end users that they can buy the product cheaper by going directly to the manufacturer.
- Brand A, Model B.
 - Distributor gives only 1% to 2% discount below 500 units; at 250 units and up, distributor has less than 50% chance of getting sale and then could not make more than 5% above cost.

b. Distributor #2

	<u>Quantity</u>	<u>Discounts*</u>
Brand A, Series A & B	1-9	0%
	10-24	8
	25-49	13
	50-99	17
	100+	20

* Distributors' discounts are smaller to end users than to OEMs because distributor considers main business as selling to OEMs; does not want to work against "Theory of Distribution."

c. Distributor #3

	<u>Quantity</u>	<u>Discount</u>
Brand A, Series A	1-24	0%
	25-49	0
	50-99	15
	100+	Negotiated

d. Distributor #4

- Distributor not aggressive in this end user market.

e. Distributor #5

- Twenty percent of distributor's business is directly with end users.
- Manufacturer's suggested retail prices are much higher than OEM schedule. Nevertheless, distributor gives end users OEM price.

f. Distributor #6

	<u>Quantity</u>	<u>Discount</u>
All Brands and Models	1-10	0%
	11-24	20
	25+	Specially negotiated

g. Distributor #7

- Forty-five percent of distributor's business is to end user markets.

<u>Quantity</u>	<u>Discounts</u>
1-9	10%
10-24	15

h. Distributor #8

- Eighty percent of distributor's sales to Fortune/non-Fortune companies.

	<u>Quantity</u>	<u>Discounts</u>
Brand A, All Models	1-4	0%
	5-24	10
	25+	15
Brand B, All Models	1-4	0%
	5-24	4
	25-49	9
Brand C, All Models	1-9	0%
	10+	3

3. EDUCATIONAL, INSTITUTIONAL

a. Distributor #1

- Brand A, Model A - No Discount.

- Brand A, Model B - Distributor gives 22% off list price at any volume.
- Brand B, Models A & B - 22% discount at any level.
- Brand C, Model A - 22% discount at any level.
- b. Distributor #2
- Distributor does not sell to educational and other institutions.
- c. Distributor #3
- Distributor does not sell to educational and other institutions.
- d. Distributor #4
- Distributor does not sell to educational and other institutions.
- e. Distributor #5
- Distributor does not sell to educational and other institutions.
- f. Distributor #6
- Fifteen percent of total sales to educational and other institutional markets.
- Maximum 20% discount.
- g. Distributor #7
- Forty percent of total sales to educational and other institutional markets.
- Won't reveal discount.

h. Distributor #8

- Distributor does not sell to educational and other institutional markets.

G. DISCOUNTS RECEIVED BY DISTRIBUTORS FROM MANUFACTURERS

Note: Distributor numbers are consistent with those in Section F.

- The following tables and Exhibit IV-5 represent the type of discounts received by distributors from manufacturers of teleprinter terminals. The graph in Exhibit IV-5 is plotted from the corresponding data found in the tables.

a. Distributor #1

- Brand A, Model A.

- Tariffed unit.
- Manufacturer sells all units to distributor at same price regardless of volume. (Monolithic pricing schedules.)

- Brand A, Model B.

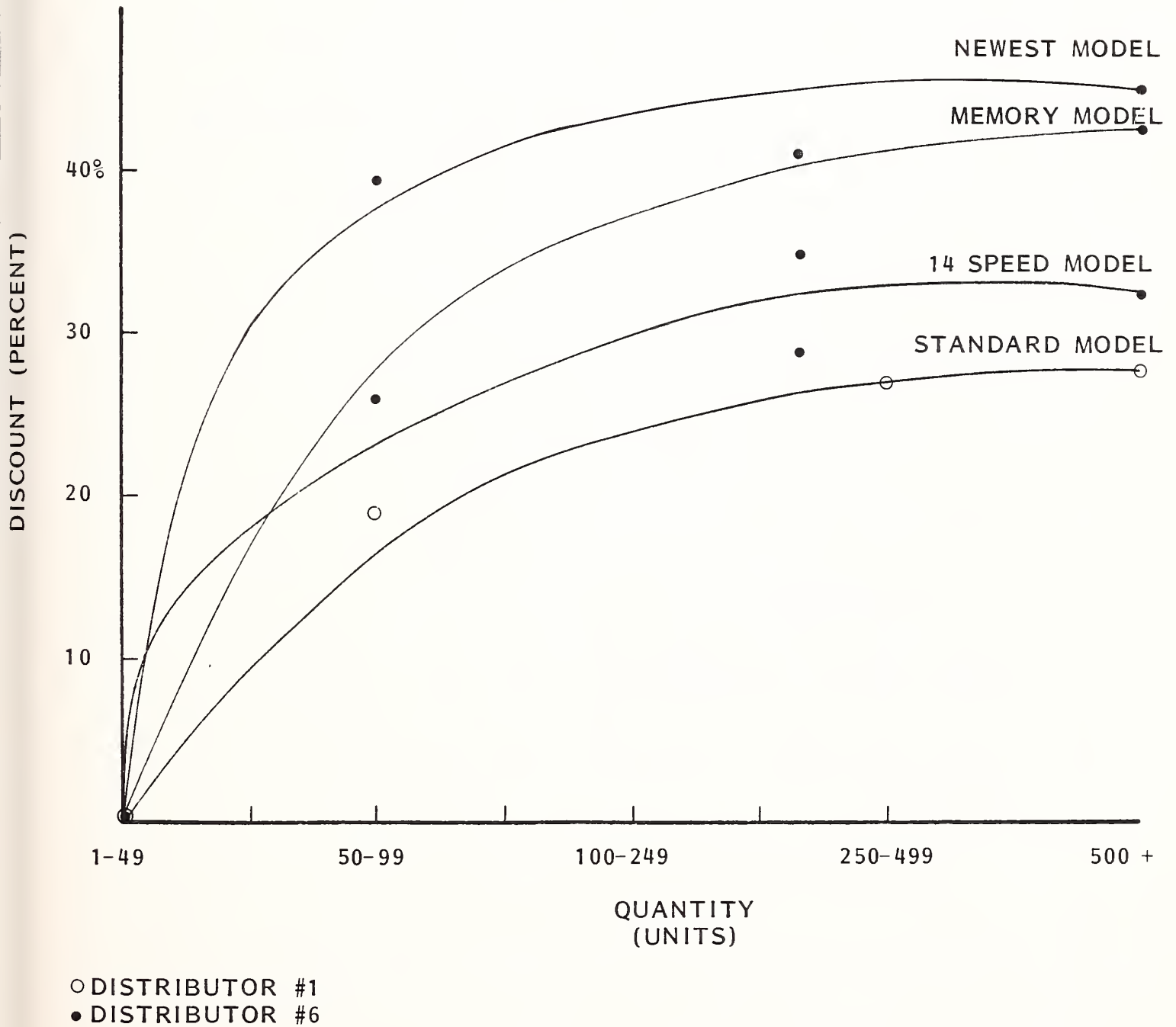
- Non-tariffed unit.
- Manufacturer gives up to 40% discounts depending on volume.

- Brand B, Model A & B.

- Manufacturer flattened discount curve to distributor and OEMs above 100 units to 500 units; manufacturer is going into competition with its OEMs.

EXHIBIT IV-5

DISCOUNTS RECEIVED BY DISTRIBUTORS FROM MANUFACTURERS



<u>Quantity</u>	<u>Discount</u>
1-49	19%
* 50-249	27
** 250-499	28
** 500-1,000	29

* Minimum level distributor must purchase to make a profit.

** Ranges in which manufacturer does not want distributor competing.

- Brand C, Model A.

- Distributor gets discount from unit 1 with \$150,000 minimum annual contract commitment; OEM can buy one to 50 units at much lower discount than distributors.

b. Distributor #2

- Manufacturer gives distributor different discount for each line (series) of teleprinter.

	<u>Quantity</u>	<u>Discount</u>
● Brand A, Series A	1-499	none
	500 +	35%

c. Distributor #3

- Monolithic discount curve (35%).
- Eighty-nine percent of manufacturer's sales go to OEM market; 1% sales to distributors.

d. Distributor #4

- Brand A.

- OEM discount curve is rapid from 25 to 49 units; over 50 units it tapers off rapidly.
- Monolithic price structure to distributor.
- Graduated discount structure to end user; rapid discounts at low volumes; 25% discount at 25 units.

e. Distributor #5

- Won't say; highly confidential.

f. Distributor #6

- Brand A, 12 models.
 - Manufacturer's discount to distributor, OEM and end user is 35% for any volume.
- Brand B.

<u>Quantity</u>	<u>Model A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>
1-49	0%	0%	0%	0%	0%	0%	0%
50-99	39	33	26	20	26	26	24
100-199	41	36	29	24	29	35	33
200-349	43	38	31	24	30	39	37
350-499	44	38	31	26	31	41	40
500+	45	39	32	28	32	43	42

g. Distributor #7

- Brand A.
 - No appreciable discount until 300 to 500 units purchased.

- Prompt performance bonus* - extra \$25-50 per teleprinter.
*Must order more than 90 days out, not cancel shipment plus pay in 30 days.

- Manufacturer doesn't have discounts to end user below 25 units.

- Brand B.

- Distributor's discount better than OEM's discount.

<u>Quantity</u>	<u>Discount</u>
1-499	35%
500-1,000	40

- Brand C.

- Manufacturers' discount to end users.

<u>Quantity</u>	<u>Discount</u>
1-9	10%
10-24	15
25-50	20

h. Distributor #8

- Discounts range from 25% minimum up to 50% maximum.

- Brand A, all models.

- Forty percent, any volume.

- Brand B, all models.

<u>Quantity</u>	<u>Discount</u>
1-99	15%
100-249	22
250-499	37

H. TERMS AND CONDITIONS THAT CAN OPERATE TO INCREASE
OR DECREASE THE EFFECTIVE DISCOUNT RATE

- The following comments were obtained from respondent distributors to the survey.

I. INCREASE EFFECTIVE DISCOUNT RATE

- "If end user will contract to take delivery of predetermined number of teleprinters over 12-month period, we will give maximum discount from unit one."
- "If end user will contract to do a predetermined dollar level of business with us over a 12-month period for a broad range of data processing equipment and supplies, in addition to teleprinters, then we will give them a flat dollar volume discount on all these purchases (package discount) from dollar one. Result is no competition from manufacturer; limited competition from other distributors."
- "We will give a two percent additional discount for cash payment, or prompt payment within 30 days."
- "If a customer will transport teleprinters from our warehouse and/or not require installation help, including cabling, then we could increase the discount a couple of percentage points."
- "We will deviate from manufacturer's suggested retail prices to OEMs and end users because we don't want to be accused of price fixing."

- "The time a customer has been an account is an important factor in our discount price."

2. DECREASE EFFECTIVE DISCOUNT RATE

- "Non-availability of certain models of teleprinters will cause us to decrease the discount rate or give no discount at all."
- "Small number of units in our warehouse stock, with a vigorous demand will cause us to sell the available units at the highest market prices obtainable."

I. PROPORTION OF CUSTOMERS RECEIVING DISCOUNTS

<u>Distributor Number</u>	<u>OEM System Houses</u>	<u>Fortune 1,000 Companies</u>	<u>Non- Fortune Companies</u>	<u>Educational/ Institutional</u>
1	100%	33%	33%	100%
2	100	1-2	1-2	--
3	Don't know; a distributor for only 1.5 months.			
4	50	50	50	--
5	Won't say.			
6	5	5	5	5
7	10-15	10-15	10-15	10-15
8	25	25	25	--
<hr/>				
Averages	49%	21%	21%	53%

J. DISTRIBUTORS' SPECIALLY NEGOTIATED DISCOUNTS

- Seven out of eight distributors interviewed (88%) stated that they give specially negotiated discounts to OEMs and end users. The reasons for these discounts were:

- "Must be competitive with other distributors."
- "Only on high volumes to OEMs and end users."
- "Only on \$500,000 or more business in any one year."
- "Only on special library packages and systems."
- "Any factor that could possibly be negotiable."
- "Only on package discounts where customer will contract to do a predetermined dollar level of business yearly for any combination of products or services."

K. TERMS AND CONDITIONS THAT CAN OPERATE TO INCREASE OR DECREASE THE MANUFACTURERS' DISCOUNTS TO DISTRIBUTORS

- "Manufacturer versus distributor warranty."
- "Delivery F.O.B. or pick up with own truck."
- "Additional discounts for cash payment."
- "Advertising allowances."
- "Return privileges."
- "Price protection."
- "Warranty periods and starts."
- "Annual purchase levels (dollar and volume)."

- "Technical support."
- "Inventory rotation."
- "Indirect financing." (Credit and payment modes.)

**L. PERCEIVED DIFFERENCES BETWEEN MANUFACTURERS' POLICIES
VERSUS PRACTICES OF DISCOUNTING**

PERCENT OF RESPONDENTS ANSWERING

<u>Major Differences</u>	<u>Few Differences</u>	<u>No Differences</u>	<u>Won't Say</u>
13%	12%	50%	25%

- Respondents' comments:
 - "In the last 18 to 24 months, more and more manufacturers are starting to become very careful in quoting their discount policies and terms and conditions."
 - "No difference between policy and practice in general, but it is hard to prove even if one perceives an isolated case from time to time."
 - "The manufacturer will never break its own volume/pricing discount policy, yet we may do so if market pressures demand."
 - "There does appear to be differences between manufacturers policies and practices of discounting especially in Digital Equipment Corporation's case. They do cut special deals each day. One will get a phone call from their regional sales manager to take an extra number of teleprinters in a short period of time at greater discounts; other distributors in the area probably do not get the same phone call."

- "DEC gave a 30% OEM discount to an end user."
- "The manufacturers won't admit it but there are differences between manufacturers policies and practices of discounting. DEC gives four for one prices at times."
- Three distributor respondents cited manufacturers' practices of discounting different from its policies.

M. PERCEIVED DIFFERENCES BETWEEN DISTRIBUTORS' POLICIES VERSUS PRACTICES OF DISCOUNTING

PERCENT OF RESPONDENTS ANSWERING

<u>Major Differences</u>	<u>Few Differences</u>	<u>No Differences</u>	<u>Won't Say</u>
13%	12%	50%	25%

● Distributors comments:

- "We don't want to gamble and play games with our policies and practices of discounting."
- "We try not to have differences between our discount policies and practices, but it does happen sometimes; it depends on product sold and degree of competition."
- "We may negotiate a special discount at high volumes of purchases or for more value added services given to the end user."
- "Yes, we will sell at different prices to different companies, at the same quantity in the same day. We do it all the time."

N. FUTURE TRENDS IN DISCOUNTING

- The following are distributors comments regarding future discount trends.

I. BY DISTRIBUTORS

- "No change seen, but this can change overnight depending on changes in manufacturer's prices or discounts."
- "No change seen because of good inventory management practices."
- "Our policies change daily, sometimes hourly, depending on market supply and demand factors, prime rate, costs of operation, profits, etc."

2. BY OTHER COMPANIES IN THE INDUSTRY

- "Manufacturers are starting to monitor distributors' pricing schedules more closely."
- "Centronics just reduced prices 5% to 8% to end user and 1% to 1.5% to distributors."
- "End user sales becoming very soft in last couple of months."
- "Manufacturers are flattening out back end of price/volume schedules to OEMs and distributors. As a result, we are less competitive with manufacturer."
- "Manufacturers are now using a survey questionnaire to determine the number and type of 'value added' services a distributor passes on to OEMs and end users. Each value added service carries a certain number of points and determines the distributor's discount level for next year. Verification of value added is done at site of distributor. Some parameters include having a demonstration room, bill paying record, etc."

- "Manufacturers are cutting costs by not providing any quality control on teleprinters before shipment; 30% to 35% of teleprinters coming in have either mechanical or electronic problems or both."
- "Many teleprinter manufacturers are experimenting with total dollars of teleprinters sold in the contract year (e.g., \$150,000 minimum purchases per year). One of our manufacturers is treating everyone like an OEM."
- "Some manufacturers have changed discount policies three times in three weeks."
- "Within last one to two years, manufacturers have been experimenting with one-level (monolithic) discounts; this permits more even competition between smaller and larger distributors, and levels out unit prices in the market."
- "DEC gives additional 25 to 50 discounts to get distributors to accurately forecast its sales three months out." (Prompt performance bonus.)

V OEM SYSTEM HOUSES' DISCOUNTING POLICIES
AND PRACTICES

V OEM SYSTEM HOUSES' DISCOUNTING POLICIES AND PRACTICES

- Exhibit V-1 shows a profile of the OEM systems house respondents to this study, and Exhibit V-2 shows the purchase source of their teleprinter terminals.

A. TERMS AND CONDITIONS WHICH OPERATE TO INCREASE OR DECREASE THE EFFECTIVE DISCOUNT RATE

- As stated by OEM respondents:
 - "We must meet minimum purchase requirements as an OEM systems house."
 - "Length of equipment warranty affects level of discount."
 - "Payment terms increase or decrease discount rate."
 - "Delivery mode and shipment costs affect discount level."
 - "Installation and training affect pricing and discounts."
 - "On-site repair and maintenance service affects prices and discounts."

EXHIBIT V-1

PROFILE OF OEM SYSTEMS HOUSE RESPONDENTS

RESPONDENT NUMBER	DESCRIPTION
1	OEM is also a distributor and "systems center" for TI teleprinters and semiconductor components. This enables OEM to be more price competitive with other OEM system houses; also must compete against Data General, Intel and Motorola direct sales. Concept of "systems center" about 1.5 years old.
2	Large, national/international manufacturer of computerized paint blending and color matching systems. DEC and TI are two major teleprinter suppliers.
3	Large national OEM systems manufacturer for building material wholesalers and distributors. GE is their major teleprinter supplier.
4	Large national OEM systems manufacturer for health maintenance organizations (HMO's) and other segments of the health care industry. Uses DEC and HP teleprinters; OEM is also a remote computing services firm for scientific applications on their in-house HP 3000 systems.

EXHIBIT V-2

PURCHASE SOURCE OF TELEPRINTER TERMINALS

OEM NUMBER	PURCHASE SOURCE
1	Texas Instruments
2	"About seven different manufacturers including DEC, HP, Datamedia and Tektronix."
3	"Directly from GE"
4	"We have set up a 'buying cartel' with three other OEMs in the area. This separate and independent company buys large amounts of data processing equipment and supplies for our accounts and our customers. As a result, they can purchase at higher discounts."

- "An OEM can get a good discount from manufacturer if it:
 - . Buys in large volume.
 - . Takes delivery and pays in 30 days.
 - . Takes a minimum of manufacturers' services."

B. REASONS FOR MANUFACTURERS' DISCOUNTS TO OEMs

- As perceived by respondent OEMs:
 - "Manufacturers view inventory stocking by a distributor or OEM to be a minimal value added."
 - "Discounts are expected; it's human nature to want a bargain."
 - "Competition."
 - "HP sells at OEM discount rate to anyone who meets volume requirements, even though they may not be a true OEM; HP teleprinters are overpriced compared to other like-performing units, therefore discounts are almost mandatory."
- Exhibits V-3 and V-4 show discounts received by OEMs when purchasing teleprinters.

C. STANDARD VERSUS SPECIAL INDUSTRY DISCOUNTS

- OEM respondents were asked whether the pricing discounts they received were standard for the industry or specially negotiated. The following represents their responses:

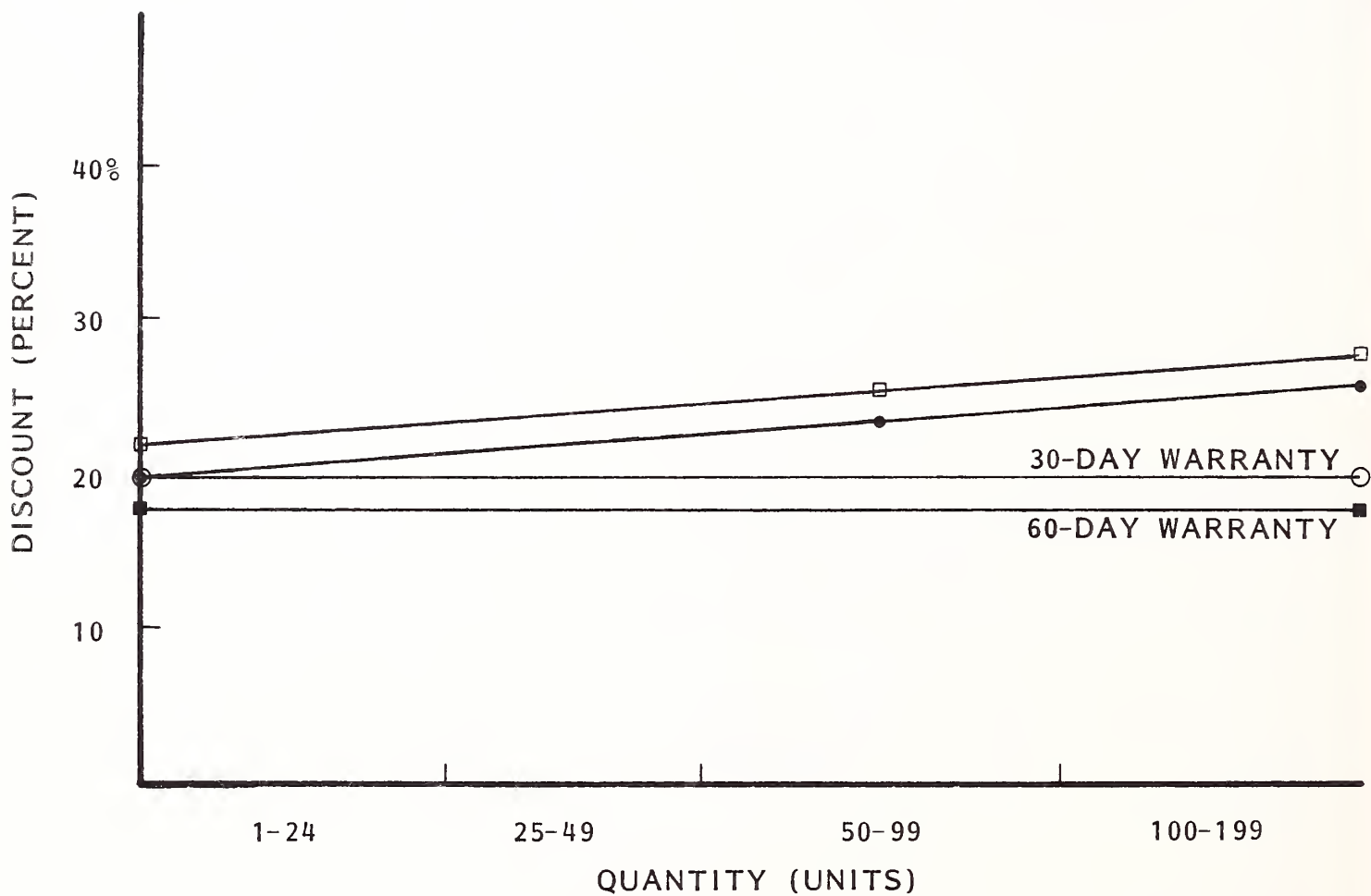
EXHIBIT V-3

DISCOUNTS RECEIVED BY OEMs WHEN
PURCHASING TELEPRINTERS

OEM NUM- BERS	SOURCE OF DISCOUNT	TYPE OF DISCOUNT	DISCOUNT	
1	MANUFACTURER	DISTRIBUTOR'S CONTRACT	20% MONOLITHIC	
2	MANUFACTURER	4 DIFFERENT TYPES OF OEM CONTRACTS		
		30-DAY WARRANTY	20% MONOLITHIC	
		60-DAY WARRANTY	18% MONOLITHIC	
3	MANUFACTURER	OEM VOLUME CONTRACT	<u>QUANTITY</u>	<u>DISCOUNT</u>
			1-49	20%
			50-99	24
			100-199	26
4	MANUFACTURER	OEM VOLUME CONTRACT	<u>QUANTITY</u>	<u>DISCOUNT</u>
			1-49	22%
			50-99	26
			100-199	28

EXHIBIT V-4

DISCOUNTS RECEIVED BY OEM SYSTEM HOUSES
WHEN PURCHASING FROM MANUFACTURERS



- OEM SYSTEMS HOUSE #1
- OEM SYSTEMS HOUSE #2
- OEM SYSTEMS HOUSE #3
- OEM SYSTEMS HOUSE #4

- "Standard for every and any distributor that is a 'systems center'; qualification for such is easy; can be a 'systems center' for more than one manufacturer."
- "Pretty much standard for any OEM who meets volume requirements."
- "Our discount is standard for OEMs; manufacturer just adds on \$15 per teleprinter for special cover."
- "Hard to say whether we are getting a standard or special discount; HP has settled several cases out of court recently with several regional OEMs in Pennsylvania."
- Exhibit V-5 shows the type of teleprinters purchased by OEM respondents, and Exhibit V-6 shows their annual system sales. Exhibit V-7 shows that OEMs usually incorporate more than one teleprinter into each one of their systems sales.

D. PERCEIVED DIFFERENCES BETWEEN MANUFACTURERS' AND DISTRIBUTORS' POLICIES VERSUS PRACTICES OF DISCOUNTING

- As stated by OEM respondents:
 - "No perceived difference between their policies and practices; special discounts apply only on promotion items."
 - "No differences between policies and practices known."
 - "G.E. provides 18-month warranty and service on teleprinters, but once unit is taken out of case and placed in our system, warranty is void; 18-month warranty is on shelf life and parts, not on functioning of unit."

EXHIBIT V-5

PROFILE OF TYPE OF TELEPRINTERS PURCHASED BY OEM RESPONDENTS

OEM NUMBER	PERCENT PURCHASED/YEAR			
	IMPACT		NON-IMPACT	
	KSR	RO	KSR	RO
1	0%	100%	0%	0%
2	70	30	0	0
3	100	0	0	0
4	50	50	0	0
AVERAGE	55%	45%	0%	0%

- 100% OF UNITS PURCHASED BY RESPONDENTS WERE COMPLETE UNITS.
- 100% OF RESPONDENTS PURCHASED FROM MANUFACTURER.
 - 1 RESPONDENT SET UP A BUYING CARTEL.

EXHIBIT V-6

ANNUAL NUMBER OF OEM SYSTEM SALES

OEM NUMBER	THOSE WITH SUBASSEMBLIES	THOSE WITH COMPLETE UNITS
1	0	15 SYSTEMS; \$100,000 AVERAGE PRICE PER SYSTEM
2	0	150 TO 200 SYSTEMS, AT AN AVERAGE PRICE OF \$75,000 TO TO \$100,000 PER SYSTEM
3	0	50 SYSTEMS WITH AN AVERAGE PRICE OF \$72,000 PER SYSTEM
4	0	12 TO 15 SYSTEMS AT AN AVERAGE PRICE OF \$90,000 PER SYSTEM

EXHIBIT V-7

ANNUAL TELEPRINTER PURCHASES BY OEM RESPONDENTS

OEM NUMBER	AVERAGE ANNUAL TELEPRINTER PURCHASES
1	15
2	150 TO 200
3	180
4	60 TO 120
AVERAGE	115

- "It is difficult to say whether there really are differences between their policies and practices; it's for them to know and for us to find out."

E. FUTURE INDUSTRY DISCOUNTING TRENDS

- As foreseen by OEM respondents:
 - "No change is anticipated; the market is finite, competition is fierce and therefore manufacturers and distributors can't maneuver too much with end user without losing market share."
 - "We see distributors realigning discount structures around total dollars spent per year rather than on number of units purchased."
 - "Manufacturers' discounts will probably decline."
 - "G.E. is undermining their OEM markets; the only reason we went with G.E. is because they are one of the few manufacturers who will do any form of customization on their teleprinters which they manufacture for their OEMs."
- Exhibits V-8, V-9 and V-10 show OEM's custom teleprinter requirement.
 - "TI sets the industry discounting trend; they manufacture in mass, flood the market with equipment and then drive the price down."

EXHIBIT V-8

CUSTOM TELEPRINTER REQUIREMENTS

OEM NUMBER	TELEPRINTERS CUSTOM MANUFACTURED	NATURE OF CUSTOMIZATION
1	NO	NONE
2	NO	MODIFICATION/ADDITIONS MADE BY OEM TO TELEPRINTER SYSTEM AS PART OF THEIR VALUE ADDED.
3	YES	G.E. MANUFACTURER'S OUTSIDE CASE WITH OEM LOGO IN A CUSTOM COLOR; ADDS ABOUT \$15 COST TO EACH TELEPRINTER PLUS \$1,500 EXTRA FRONT-END SET-UP CHARGE.
4	NO	ORDERED ONLY 1 CUSTOM TELE- PRINTER IN HISTORY OF COMPANY; DOESN'T REMEMBER NATURE OF CUSTOMIZATION.

EXHIBIT V-9

CUSTOM-MADE VERSUS STANDARD MANUFACTURED TELEPRINTERS PURCHASED BY OEMs

OEM NUMBER	PERCENT PURCHASED	
	STANDARD	CUSTOM
1	100%	0%
2	100	0
3	0	100
4	100	0
AVERAGE	75%	25%

EXHIBIT V-10

PROFILE OF OEM TELEPRINTER PURCHASES

OEM NUMBER	PERCENT PURCHASED/YR.	
	SUB- ASSEMBLIES	COMPLETE UNITS
1	0%	100%
2	0	100
3	0	100
4	0	100
AVERAGE	0%	100%

APPENDIX A: MANUFACTURER'S SURVEY
QUESTIONNAIRE

MANUFACTURER'S SURVEY QUESTIONNAIRE

- I. a. What type(s) of teleprinter terminals do you manufacture? (Specify brand name and model)

IMPACT
(Brand Name & Model)

NON-IMPACT
(Brand Name & Model)

KSR () _____ KSR () _____

RO () _____ RO () _____

- b. Do you manufacture a standalone, hard copy printing unit which can be interfaced with your teleprinter terminals?

() Yes

() No

- c. Which of the units mentioned in Ia. does the stand alone printer connect with?

2. What percentage of your teleprinters are sold to:

	<u>DISTRIBUTORS</u>		<u>OEM SYSTEM HOUSES</u>	
	<u>SUB-ASSEMBLIES</u>	<u>COMPLETE UNITS</u>	<u>SUB-ASSEMBLIES</u>	<u>COMPLETE UNITS</u>
IMPACT				
NON-IMPACT				
	<u>END USERS</u>		<u>OTHER</u>	
IMPACT				
NON-IMPACT				

3. a. Do you have published and non-published* pricing discount schedules for each line of teleprinter? (Impact vs. non impact.)

	<u>PUBLISHED</u>	<u>NON-PUBLISHED</u>
IMPACT	_____**	_____
NON-IMPACT	_____	_____

Why or why not?

- b. Do you have published and non-published* pricing discount schedules for each type of teleprinter? (KSR, RO, D.C.)

	<u>PUBLISHED</u>	<u>NON-PUBLISHED</u>
IMPACT	_____**	_____
NON-IMPACT	_____	_____

Why or why not?

* Use reverse side to explain non-published discounting schedules.

** If so, try to get a copy of the published discount schedule.

4. a. Do you provide volume pricing discounts on sales of your teleprinters to:

	<u>IMPACT</u>		<u>NON-IMPACT</u>	
	<u>KSR</u>	<u>RO</u>	<u>KSR</u>	<u>RO</u>
Distributors	_____	_____	_____	_____
OEM System Houses	_____	_____	_____	_____
End Users	_____	_____	_____	_____

b. Why?

What value added, if any, is provided?

Distributors

OEM System Houses

End Users

5. What are your percentage discount and volume breakpoints for each line of teleprinter product? (Try to obtain copies of manufacturers pricing discount schedules/contracts.)

a. Distributors

<u>IMPACT</u>		<u>NON IMPACT</u>	
(Indicate KSR or RO)		(Indicate KSR or RO)	
<u># OF UNITS</u>	<u>% DISCOUNT</u>	<u># OF UNITS</u>	<u>% DISCOUNT</u>

Why do you give these discounts? Is there any value added?

Terms and conditions of discount especially those that can operate to increase or decrease the effective discount rate.

b. OEM System Houses

<u>IMPACT</u>		<u>NON IMPACT</u>	
(Indicate KSR or RO)		(Indicate KSR or RO)	
<u># OF UNITS</u>	<u>% DISCOUNT</u>	<u># OF UNITS</u>	<u>% DISCOUNT</u>

Why do you give these discounts? Is there any value added?

Terms and conditions of discount especially those that can operate to increase or decrease the effective discount rate.

c. End Users

<u>IMPACT</u>		<u>NON IMPACT</u>	
(Indicate KSR or RO)		(Indicate KSR or RO)	
<u># OF UNITS</u>	<u>% DISCOUNT</u>	<u># OF UNITS</u>	<u>% DISCOUNT</u>

Why do you give these discounts? Is there any value added?

Terms and conditions of discount especially those that can operate to increase or decrease the effective discount rate.

6. What percentage of your customers actually receive these discounts?

a. Distributors	<u> </u> %
b. OEM System Houses	<u> </u> %
c. End Users	<u> </u> %

7. a. What percentage of your distributors give another discount on your teleprinters to their customers?

Fortune 1000 companies	<u> </u> %
Other companies	<u> </u> %

What are these volume discounts?

- b. What percentage of your direct sales to end users qualify for a volume discount?

Fortune 1000 companies	<u> </u> %
Other companies	<u> </u> %

What are these volume discounts?

- c. Are your volume discounts to Fortune 1000 vs. other companies the same or different?

Why?

8. What other types/additional discounts (other than volume discounts) does your company give to:

- a. Distributors (describe discount structure.)

What is required to qualify for this discount?

- b. OEM System Houses (describe discount structure.)

What is required to qualify for this discount?

c. End Users (describe discount structure.)

What is required to qualify for this discount?

9. a. Do you offer specially negotiated discounts to distributors, OEM system houses or end users?

<u>NATURE OF CUSTOMER</u>	<u>NATURE OF DISCOUNT</u>	<u>TERMS & CONDITIONS OF DISCOUNT</u>
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b. Why do you offer these discounts?

10. a. Is there a difference between your company's policy on discounting and the actual practice of discounting to distributors and end user? (Explain).
- b. What types of discounts do you foresee giving in the next 6 to 12 months.
- Why?
- c. What future trends in discounting do you see for the industry in the future?
- Why?

APPENDIX B: DISTRIBUTOR'S SURVEY
QUESTIONNAIRE

DISTRIBUTOR'S SURVEY QUESTIONNAIRE

- 1a. What type(s) of teleprinter terminals do you sell? (Specify brand name and model.)

IMPACT

		<u>BRAND NAME</u>	<u>MODEL</u>
KSR	()	_____	_____
RO	()	_____	_____

NON-IMPACT

		<u>BRAND NAME</u>	<u>MODEL</u>
KSR	()	_____	_____
RO	()	_____	_____

- 1b. Do you sell a standalone, hard copy printing unit which can be interfaced with your teleprinter terminals?

() YES () NO

BRAND NAME(S)

2. What percentage of your teleprinters are sold to:

	<u>OEM SYSTEM HOUSES</u>	<u>FORTUNE 1,000 CO's</u>	<u>NON-FORTUNE 1,000 CO's</u>	<u>OTHER</u>
IMPACT	_____	_____	_____	_____
NON-IMPACT	_____	_____	_____	_____

3a. Do you have published and non-published* pricing discount schedules for each line of teleprinter? (Impact versus Non-Impact)

	<u>PUBLISHED</u>	<u>NON-PUBLISHED</u>
IMPACT	_____**	_____
NON-IMPACT	_____	_____

Why or why not?

3b. Do you have published and non-published* pricing discount schedules for each type of teleprinter? (KSR, RO, DC)

	<u>PUBLISHED</u>	<u>NON-PUBLISHED</u>
KSR	_____**	_____
RO	_____	_____
DC	_____	_____

Why or why not?

* Use reverse side to explain non-published discounting schedules.

** If so, try to get a copy of the published discount schedule.

4a. Do you provide volume pricing discounts on sales of your teleprinters to:

	<u>IMPACT</u>		<u>NON-IMPACT</u>	
	<u>KSR</u>	<u>RO</u>	<u>KSR</u>	<u>RO</u>
OEM SYSTEM HOUSES	_____	_____	_____	_____
FORTUNE 1,000 CO's	_____	_____	_____	_____
NON-FORTUNE 1,000 CO's	_____	_____	_____	_____
OTHER	_____	_____	_____	_____

4b. Why?

What value added, if any, is provided?

OEM SYSTEM HOUSES

FORTUNE 1,000 CO's

NON-FORTUNE 1,000 CO's

OTHER

5. What are your percentage discounts and volume breakpoints for each line of teleprinter product?

A. OEM SYSTEM HOUSES

<u>IMPACT</u>		<u>NON-IMPACT</u>	
(Indicate KSR or RO)		(Indicate KSR or RO)	
<u># OF UNITS</u>	<u>% DISCOUNT</u>	<u># OF UNITS</u>	<u>% DISCOUNTS</u>

Why do you give these discounts? Is there any value added?

Terms and conditions of discount especially those that can operate to increase or decrease the effective discount rate.

B. FORTUNE 1,000 CO's

<u>IMPACT</u>		<u>NON-IMPACT</u>	
(Indicate KSR or RO)		(Indicate KSR or RO)	
<u># OF UNITS</u>	<u>% DISCOUNT</u>	<u># OF UNITS</u>	<u>% DISCOUNT</u>

Why do you give these discounts? Is there value added?

Terms and conditions of discount especially those that can operate to increase or decrease the effective discount rate.

C. NON-FORTUNE 1,000 CO's

<u>IMPACT</u>		<u>NON-IMPACT</u>	
(Indicate KSR or RO)		(Indicate KSR or RO)	
<u># OF UNITS</u>	<u>% DISCOUNT</u>	<u># OF UNITS</u>	<u>% DISCOUNT</u>

Why do you give these discounts? Is there any value added?

Terms and conditions of discount especially those that can operate to increase or decrease the effective discount rate.

D. OTHER

<u>IMPACT</u>		<u>NON-IMPACT</u>	
(Indicate KSR or RO)		(Indicate KSR or RO)	
<u># OF UNITS</u>	<u>% DISCOUNT</u>	<u># OF UNITS</u>	<u>% DISCOUNT</u>

Why do you give these discounts? Is there any value added?

Terms and conditions of discount especially those that can operate to increase or decrease the effective discount rate.

6. What percentage of your customers actually receive these discounts?

- a. OEM System Houses _____
- b. Fortune 1,000 Co's _____
- a. Non-Fortune 1,000 Co's _____
- d. Other _____

7. What other type/additional discounts, e.g. functional discounts (other than volume discounts) does your company give to:

- a. OEM SYSTEM HOUSES (describe discount structure.)

What is required to qualify for this discount?

- b. FORTUNE 1,000 CO's (describe discount structure.)

What is required to qualify for this discount?

- c. NON-FORTUNE 1,000 CO's (describe discount structure.)

What is required to qualify for this discount?

d. OTHERS (describe discount structure.)

What is required to qualify for this discount?

8a. Do you offer specially negotiated discounts to OEM system houses and/or end users?

NATURE OF
CUSTOMER

NATURE OF
DISCOUNT

TERMS AND
CONDITIONS
OF DISCOUNT

8b. Why do you offer these discounts?

- 9a. What type of discounts (volume, functional, other) do you receive from the manufacturers of the teleprinters which you sell? (Try to obtain copies of manufacturer/distributor pricing discount schedules/contracts?)

<u>BRAND NAME & MODEL</u>	<u>KSR,RO; IMPACT NON-IMPACT</u>	<u>VOLUME/ PRICE BREAKS</u>	<u>TERMS AND CONDITIONS</u>	<u>REASONS</u>
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- 9b. Mention any special terms and conditions that can operate to increase or decrease the effective discount rate.
- 10a. Is there a difference between a manufacturer's policy on discounting and their actual practice of discounting? Explain.
- 10b. Is there a difference between your company's policy on discounting and its actual practice of discounting? Explain.

10c. What types of discounts do you foresee giving in the next 6 to 12 months?

Why?

10d. What future trends in discounting do you see for the industry in the future?

Why?

APPENDIX C: OEM SYSTEM HOUSE
QUESTIONNAIRE

OEM SYSTEM HOUSE QUESTIONNAIRE

1a. Do you purchase teleprinters for integration into your systems?

() YES () NO

1b. If so, what brand name, model and technology (KSR, RO; impact, non-impact) of teleprinters do you purchase?

1c. Are these sub-assemblies or complete units?

Sub-Assemblies _____ %

Complete Units _____ %

1d. What percentage are impact and non-impact/KSR and RO teleprinters?

	<u>IMPACT</u>	<u>NON-IMPACT</u>
KSR	_____	_____
RO	_____	_____

2. How many systems do you sell per year with each type of unit?

Those with sub-assemblies _____

Those with complete units _____

3a. From whom do you purchase your teleprinters? (List both manufacturers and distributors)

3b. Approximately how many do you purchase per year?

4a. Are your teleprinters custom manufactured for your particular needs?

() YES () NO

4b. If so, what customization is provided?

5a. What percentage of your teleprinter purchases are custom made and what percentage are of standard manufacture?

Custom Made _____ %

Standard Manufacture _____ %

5b. What percentage of your custom and standard manufactured teleprinters come from manufacturers and distributors?

	<u>MANUFACTURERS</u>	<u>DISTRIBUTORS</u>
STANDARD	_____ %	_____ %
CUSTOM	_____ %	_____ %

- 6a. What pricing discounts do you receive from manufacturers and distributors on your custom and standard manufactured teleprinters? (Obtain details of price/volume breaks.)

MANUFACTURER/
DISTRIBUTOR
NAME

CUSTOM
MANUFACTURED

STANDARD
MANUFACTURED

- 6b. What are the terms and conditions that operate to increase or decrease the effective discount rate?

MANUFACTURER/
DISTRIBUTOR
NAME

CUSTOM
MANUFACTURED

STANDARD
MANUFACTURED

- 6c. What are the reasons for the discounts?

MANUFACTURER/
DISTRIBUTOR
NAME

CUSTOM
MANUFACTURED

STANDARD
MANUFACTURED

- 6d. Are the pricing discounts which you receive standard for the industry or specially negotiated?
7. Is there a difference between a manufacturer's and distributor's policies on discounting and their actual practice of discounting? Explain.
8. What future trends in discounting do you foresee getting from teleprinter manufacturers and/or distributors in the future? Why?

MANUFACTURERS

DISTRIBUTORS

APPENDIX D: SAMPLE SIZE AND RESPONDENT PROFILE

EXHIBIT D-1

SAMPLE SIZE

RESPONDENT TYPE	NUMBER CON- TACTED	NUMBER REFUSED INTER- VIEW	NUMBER UNCOM- PLETED INTER- VIEWS	NUMBER INTER- VIEWED BY TELE- PHONE	NUMBER INTER- VIEWED ON-SITE	NUMBER INTER- VIEWS COM- PLETED
MANUFACTURERS	20	1	11	6	2	8
DISTRIBUTORS	15	1	6	6	2	8
OEM SYSTEM HOUSES	16	1	11	3	1	4
TOTAL	51	3	28	15	5	20

EXHIBIT D-2

GENERAL RESPONDENT PROFILE

MANU- FACTURER NUMBER*	LOCATION	MODE OF INTERVIEW
1	CHATSWORTH, CA	TELEPHONE
2	NORWALK, CT	TELEPHONE
3	GLENDALE, CA	TELEPHONE
4	PARSMUS, NJ	ON-SITE
5	PARLIN, NJ	ON-SITE
6	WESTBORO, MA	TELEPHONE
7	KENT, WA	TELEPHONE
8	SALT LAKE CITY, UT	TELEPHONE
<u>DISTRIB- UTOR NUMBER*</u>	<u>LOCATION</u>	<u>MODE OF INTERVIEW</u>
1	ROSELLE, NJ	ON-SITE
2	CLEVELAND, OH	TELEPHONE
3	WESTBURY, NY	TELEPHONE
4	NORWALK, CT	TELEPHONE
5	WOODBURY, NY	TELEPHONE
6	UNION, NJ	ON-SITE
7	BROOKLYN PARK, MN	TELEPHONE
8	FARMINGDALE, NY	TELEPHONE
<u>OEM SYSTEMS HOUSE NUMBER*</u>	<u>LOCATION</u>	<u>MODE OF INTERVIEW</u>
1	MELVILLE, NY	TELEPHONE
2	PRINCETON, NJ	TELEPHONE
3	WILTON, CT	ON-SITE
4	PHILADELPHIA, PA	TELEPHONE

* NUMBER ASSIGNED TO RESPONDENTS IS PURELY ARBITRARY AND RANDOM, AND CANNOT BE RELATED TO THE SAME RESPONDENT NUMBERS AS THEY APPEAR THROUGHOUT THE TEXT.

EXHIBIT D-3

PROFILE OF RESPONDENTS' TELEPRINTERS

RESPONDENT NUMBER	IMPACT		NON IMPACT	
	KSR	RO	KSR	RO
1	-	DP 8000, 9500,	-	-
2	-	TI 810	-	-
3	-	TTY 33, 35 GE 30 DEC LA 36, LS 120'S CENTRONICS 700 LINE	-	-
4	TI 800	SERIES	TI 700	SERIES
5	-	TRANS LUX 7230, 300TP	-	-
6	DEC LA 120	DEC LA 38	-	-
7	GE 2030	GE 2120, TN 200,	-	-
8	DIABLO 1640, 1650	DEC VT 100	TI 743/745	-
9	-	AXIOM IMP1, IMP 2		
10	-	-	CTSI 300, 3000, 4000, 4080, 4741	CTSI 4000
11	DP 50		DP T80	-
	DEC LA 34, 36, 120	TI 780	TI 743, 745, 765	-
12	TI 820, 825	CENTRONICS 704	-	-

EXHIBIT D-3 (CONT.)

PROFILE OF RESPONDENTS' TELEPRINTERS

RESPONDENT NUMBER	IMPACT		NON-IMPACT	
	KSR	RO	KSR	RO
13	TI 820, 810 TTY 43 NEC SPINWRITER OKIDATA MICROLINE	- -	TI 740, 760, 780 -	- -
14	GE 200	-	-	-
15	DEC LA 120	-	-	-
16	DIABLO 1640 DIABLO 1650	DIABLO 630 DIABLO 2300	-	-
17	DATA GENERAL	TP 1, 2	-	-
18	TALLY 1612, 1705	TALLY 1605	-	-
19	TI 800	SERIES	TI 700	SERIES
20	-	MPI 88 G, T		

